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Economic Affairs

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Economic Affairs

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Economic Effects of Conversion to Civilian Production Discussed

904A0060A Moscow SELSKAYA ZHIZN in Russian
2 Nov 89 p 44

[Response by Maj Gen V. Korolev, professor, doctor of economic sciences, head of Department of Political Economy and Military Economics of the Military-Political Academy imeni V.I. Lenin, in response to reader's letter: "Conversion"]

[Text] *Recently one hears more frequently about the "conversion" of military production. What is it? A curtailment of defense industry, voluntary and one-sided disarmament of our country? I would like a competent specialist to tell us about conversion in SELSKAYA ZHIZN.* [Signed] V. Ishchuk, town of Radekhov, Lvov oblast.

[Korolev] In brief, conversion is going over from military production to production of peacetime goods.

Why did conversion become possible today? First of all, because first successes appeared and perspectives opened in the field of true disarmament, especially in connection with the going into effect of the Soviet-American agreement on destruction of medium and short-range missiles. Also, progress in negotiations on reductions in strategic aggressive weapons, the possibility of concluding a convention on the liquidation of chemical weapons, and negotiations began on conventional armaments in Europe.

Speaking at the United Nations, M.S. Gorbachev emphasized the timeliness of the transfer from the economics of armament to the economics of disarmament and suggested that all governments, especially the large military powers, make their national plans for conversion. Based on them, a special international group of scientists could prepare materials on the problem. For its part, the Soviet Union decided in the course of 1989 to prepare experimental plans for a civilian reequipping of 2-3 defense enterprises, and publicize the results of the experimental work restructuring of specialists from the defense industry and also the utilization of its equipment, buildings and related equipment in peaceful areas.

Furthermore, in January 1989 the Soviet Union announced a 12 percent personnel reduction in the Armed Forces, 14 percent in the military budget, and 19.5 percent in armaments production and military technology. At this time, conversion is proceeding on a bilateral foundation. However, this foundation is asymmetrical: quantity and structure of military enterprises and armaments subject to the INF treaty significantly differ between the Soviet and American sides. In the Soviet Union, in part, production of intermediate and short-range rockets, their launchers and ancillary equipment has been discontinued. Certain parts of the rockets are being eliminated, others are being passed on to the

peoples' economy for peaceful use. It has been announced that instead of rockets, new forms of drilling equipment, metal-cutting lathes, perfected machines for processing of agricultural production, and consumer goods will be turned out.

In January, a new stage of conversion is beginning. It will involve restudy of many military factories, eliminate them or convert their military technology, which is already paid for, to peaceful purposes, find jobs for retired military, requalify a portion of the personnel of defense enterprises—all this requires new and substantial expenditure.

What economic advantages does the policy of disarmament now being effectuated in the country offer?

The intended reduction in defense expenditures of 14 percent will yield direct savings of 10 billion rubles. Furthermore, releasing 500,000 military, of whom, as analysis indicates, at least 80 percent can be attracted to the people's economy, will create favorable conditions for growth of public production. According to specialists' calculations, this will permit increase of the national income of the country by a minimum of 1.8 billion rubles. It follows that the overall economic effect on society from reduction in defense expenditure and in the numbers of Armed Forces personnel, and in connection with it attraction into public production of demobilized personnel, will amount to about 12 billion rubles. All these means can be used for social needs and economic development of the country.

But the economic effect of reduction of the Armed Forces and conversion of the powers of military production is not limited to the above-mentioned sum. The elimination of 10,000 tanks, 800 combat aircraft, and many thousands of units of other military technologies will permit the country, figuratively speaking, to "beat swords into plowshares" and obtain an additional 1.8 million tons of steel, 0.5 million tons of aluminum, and also the use for civilian needs of 1.8 million tons of various fuels annually. All of this, with former Armed Forces strengths and combat technology, would have been used for combat preparedness and for replacement of rapidly-aging weapons. After all, today many forms of weapons are morally unsuitable for the conduct of contemporary warfare already 4-5 years after the beginning of their mass production. And an active life-cycle of even ordinary armament systems does not exceed 10-12 years.

A significant economic effect will be obtained from direct use for civilian purposes of military and its ancillary equipment, their assemblies and parts. Diesel tank engines, some aircraft equipment, troop command and control points, and so-called dual purpose equipment: automobiles, bulldozers, mobile power stations, river-crossing equipment, troop quartering (quartermaster and engineer) equipment, and many other items are kept in mind. The owners of this wealth could become industrial enterprises, sovkhoses, kolkhoses, cooperatives, individual renters, schools, professional-technical

schools, and other educational institutions. Relatively low prices for military property to be transferred to the people's economy, if accompanied by well-organized information, will help the program's rapid execution. One could organize regional auctions of assemblies and parts, even entire technical systems, which could serve peaceful labor.

From our viewpoint, the problem of reorienting enterprises which turned out military equipment now being eliminated to civilian production is fully solvable. In the USSR, this involves factories at Votkinsk, Volgograd, Petropavlovsk, and Sverdlovsk. Even though the INF Treaty does not prohibit the use of their capabilities to produce other kinds of weapons, the enterprises mentioned are already delivering civilian products. Thus, for instance, an automated line for assembly of precision lathes with programmed controls is running at the Votkinsk machine-building factory; it also produces equipment for dairies, systems for drilling installations and underwater drilling, assemblies and parts for automobiles and washing machines.

In the course of the current perestroyka, technical modernization and equipping of civilian enterprises is entrusted to industrial administrations of defense branches. It is decided to convert 250 military factories to the manufacture of equipment for processing of agricultural raw materials. The execution of these plans will occupy over 200 leading scientific research institutes and builders' offices of defense industries.

Already now industry working for military requirements manufactures about 2000 items needed for daily living, economic, and cultural purposes, while civilian production takes about half the volume. Only in 1988 almost 10 million television sets, 95 percent of all domestic refrigerators, 62 percent of washing machines, and 69 percent of vacuum cleaners were produced here. It is estimated that in the coming years defense industry will develop and produce more than 140 kinds of complicated technological consumer goods, including digital laser record players, videocameras, pocket watches with voice synthesizers, videotape recorders, civilian computers and others. In a word, reduction of the Armed Forces and conversion of a portion of military production permits society to get a significant economic advantage. But to bring conversion into effect, a whole series of economic and social problems must be solved.

Roundtable Discussion on Results, Profitability of Conversion

90UM0086B Leningrad *LENINGRADSKAYA PRAVDA* in Russian 2 Oct 89 p 2

[Roundtable discussion by members of *LENINGRADSKAYA PRAVDA* Businessmen's Club, conducted by L. Ivankin and Ya. Strugach, under the rubric "The Businessmen's Club": "Levers and Incentives"]

[Text] Probably no problem is more acute today than the shortage of consumer goods. It creates inflationary trends,

social tensions and economic difficulties. The prolonged distortion in the development of branches in groups A and B has made itself felt. Capital investments in construction and reconstruction and in the updating of technology and equipment at light industry enterprises are still not producing a perceptible return. Furthermore, given the increasing consumer demand, it is doubtful that we shall totally eliminate the shortage in the near future.

Attempts to rectify the situation, enlisting machine-building enterprises for the production of consumer goods, are not yet producing any big results. For purposes of encouraging increased consumer goods production, the government has established a number of benefits for those who are successfully increasing their production rates.

The term "conversion"—that is, changes in the production structure of the defense industry branches—has come into widespread use of late. It is planned to increase their output of products for the people by reducing the production of military equipment and utilizing the available highly skilled cadres and the production base.

What have these steps produced? What contribution are the Leningrad enterprises of the machine-building and defense industries making to increased production, to the enlargement of the assortment and enhancement of the quality of goods for the people? What is hampering things? What economic and legal mechanisms are necessary? These questions were discussed at a regular session of *LENINGRADSKAYA PRAVDA'S* Businessman's Club in which directors and specialists from a number of city enterprises took part.

[N.A. Ignatyev, first secretary of the Oktyabrskiy Rayon CPSU Committee] The subject of discussion is naturally of concern to all of us. I would like to share the information I possess as chairman of the commission set up by the CPSU oblast committee to study the situation of consumer goods production at nonspecialized enterprises. Today, the defense enterprises alone turn out more than 1 billion rubles worth of goods annually, and the average annual growth rate is as high as 20%.

Leningrad's industry as a whole produced 3.88 rubles' worth of consumer goods per ruble of wages during the first quarter of 1989. There are many enterprises with a considerably higher figure, but there are also many at which consumer goods account for a miniscule portion of output.

While consumer goods production grew by 6% last year, however, the monetary income of the population doubled on average. Industry is clearly not satisfying the needs of the consumer market. This trend is intensifying. The population's income grew by 15.8% during the first quarter, for example, while the increase in goods amounted to only 3.5%.

Production will have to be increased several times over in order to saturate the market. And basic changes are essential throughout the entire production and sales chain in order to achieve this.

[B.N. Taller, chief engineer at the Machine Building Association imeni Ya.M. Sverdlov] Our collective still has nothing to brag about in this respect. We produce 13.6 kopecks' worth of consumer goods per ruble of wages. A shortage of production space is the cause. The construction of an electronics plant is currently being completed in the Parnas Industrial Zone, to be sure. A single engineering and production system is being set up there for turning out consumer goods, which will house production, design, technological and economic services. It is planned to initiate the production of personal computers, electronic toys, metal furniture components and plastic items in the new area. This will make it possible in 3-4 years to produce almost 13 million rubles worth of TNP [consumer goods], which is four times the present amount.

There is a realistic possibility of increasing the output of the highly popular all-purpose woodworking lathes from 3,000 to 5,000 within the near future. I am reluctant to make any guarantees, however. The supply of assembly parts is still very poor, after all. The Poltava plant, for example, cut our order by 1,600 motors. Just tell me how we are to work our way out of the situation under these circumstances.

In general, almost every enterprise in Leningrad involved in the production of household equipment experiences a constant shortage of electric motors. I believe that the program for regional economic accountability should provide for the construction of an electric motor plant to meet the needs of Leningrad's industry.

Here is another thought. We all know that many enterprises are taking a risk in setting up or increasing the production of consumer goods, since they are not certain that their plans will be backed up with a reliable supply of materials and equipment. And progress will be slow until the Leningrad Supply Administration guarantees the provision of everything necessary for the production of consumer goods.

[V.P. Zanin, general director of the Signal Association] As long as I can recall being in management I have heard appeals to increase the production of consumer goods, but the matter nonetheless just squeaks along. All admonitions are useless until economic mechanisms are activated.

To improve the financial situation in the nation, I recommend that the state borrow from the enterprises and from citizens the amount necessary to cover the deficit in the state budget not backed up with available goods, and at a higher interest rate than that set by the Savings Bank. Furthermore, it should revise the methods for ascertaining profits and regard them as the difference between all revenues and all outlays. This would make it possible to eliminate the frequently unrecognized padding.

Furthermore, the subsidies received by the producers for so-called cheap production should be distributed directly

to the consumers. It is hopeless to attempt to saturate the market with consumer goods while the inflationary processes exit.

The production of these goods should be advantageous not just to the enterprise as a whole, but also to the actual people who produce them. What we have is this, however. If a person produces 10 items and receives 10 rubles, his earnings are increased by only 2-3 rubles if he doubles that.

Wages must grow at the same rate as output. With the existing system for determining labor productively, it makes no economic sense to stress outstripping rates of growth for this indicator over rates of growth for wages.

Another thing. I propose abolishing the mandatory revision of quotas and rates. The fear that they can be cut at any time does nothing to stimulate labor enthusiasm. It is frequently an actual retardant to the development of technological progress. The decision to revise them should be at the discretion of the labor collective.

[A.P. Korolev, general director of the Almaz Association] As an experiment, we have decided to leave the scheduled basic cost of production at the same level for several years for the production of consumer goods. Automation has been introduced, more products are being turned out and profits have increased, but we do not touch them. They remain at the disposal of the collective and are distributed at its discretion, whether as bonuses or for the further development of production. The worker now has a direct interest in turning out more products and is not afraid that the rates will be cut. And he no longer has any reason to keep his own professional secrets from others.

We do a very poor job of getting to the bottom of our own internal problems. Right now we are most concerned about relations with the suppliers. All of our good intentions are frustrated by the adverse supply situation. We should expect the situation to grow worse as a result of the establishment of taxes on the wage fund, and enterprises producing parts for consumer goods or materials will stop building up production.

[V.D. Pishkov, deputy general director for economics at the Association imeni Kozitskiy] We constantly come up against this problem. I do not recall a year in which we received everything we were supposed to from the stocks. We now have a realistic possibility of increasing the output of television sets but are being held up by a lack of assembly parts. We now have a fourth generation of fine colored television sets almost ready to go into regular production. We have been able to make only a few experimental sets, however. When the new product goes into regular production basically depends upon the supply of assembly parts. We could somehow provide an incentive for our subcontractors. As a temporary measure, for example, we could send our sets to them for sale in their collectives. We do not have the right to do this, however, since all of our output must be turned over to the trade system. We are told that we can dispose of

everything over and above the plan as we see fit. But we barely scrape together enough assembly parts for the volumes specified in the plan.

Let us say that we increase our present volume by 50,000-100,000 sets. The immediate question then is whether the Leningraders will benefit from the increase.

The fact is that our wholesale trade component distributes the association's products throughout the nation, "from Moscow to the very hinterland," as they say. Only about 10% of the television sets produced by the Association imeni Kozitskiy remain in Leningrad. The customer can choose a product from some other television plant in the nation, to be sure, but what sense does that make? Given the present enormous demand, there is no competition. The servicing and repair of the equipment is deteriorating drastically, however.

I see the extensive development of proprietary trade as the solution. Only with great difficulty were we able to set up our own store in Leningrad. Transportation costs and damage to the sets were drastically reduced as a result, since they are competently prepared before leaving the association for the trade system. The warranty service is also far better in this situation. We are prepared to open a number of other proprietary stores in Leningrad, but the trade system has other interests.

[A.P. Korolev] I would call this "dictate by the trade system." They are already beginning "to twist our arms" at the wholesale fairs. They either refuse without adequate justification to accept that which they themselves have recommended or, under the pretext of protecting consumer interests, impose delivery volumes which they know in advance cannot be met. The solution is simple. Apply toward the commodity turnover target fines for failure to live up to the terms of the agreement. There may be no goods on the shelf, but the trade system will not be the loser. It is our opinion that agreements on deliveries of consumer goods should be based on what the industrial enterprises can provide and not on the demands of the trade system. The enterprise should be authorized to conclude agreements with the trade system for no more than 75% of the total state order for the production of consumer goods, the rest being sold on the open market as above-plan output.

A new product frequently does not reach the consumer just because the enterprises and the trade system cannot reach agreement on prices. We thought about producing commemorative serving tables. We calculated how much their production would cost the enterprise itself. The total cost of purchased parts amounted to at least 80 rubles, and we suggested a retail price of 100 rubles. Representatives of the trade system said, cutting the price: "We will not take them at more than 50 rubles." We suggested offering at least a small batch of them for sale in order to test customer response. The trade workers absolutely refused, however, and were not even interested in the opinion of consumers. Perhaps the price

would have been acceptable. After all, these are not everyday products, but items for aficionados, so to speak.

We believe that authority to set prices for new products, regardless of which department the enterprise producing them is under, should be the prerogative only of the corresponding executive committee of the soviet of people's deputies, where this matter should be conclusively decided with the assistance of skilled specialists.

[V.V. Kotylevskiy, chief of the consumer goods section of the Znamya Truda Association] I want to return to the problem of wholesale fairs already mentioned. We are forced to participate in them, although there is nothing for us to do there. We know in advance that the trade system will purchase everything, demand an additional volume over and above all our production capabilities and then send us schedules indicating where to send the products, and how many. I believe that prior to attending an All-Union fair, we need to first hold a Leningrad fair arranged by the executive committee. We would then know what the city needs.

The same with prices. We need to take into account the fact that changes are constantly occurring. The representative of the Association imeni Kozitskiy just said that their television set has finally become profitable. But what are we to do in the case of production of boat anchors which sell for 4 rubles, while our production cost is 8 rubles? This product became unprofitable for us when we began producing it out of steel instead of the cast iron previously used. I could cite many such examples. As you know, we are facing substantial changes in the price structure, which is an objective process. If the price policy remains unchanged, however, we shall not benefit. Particularly since the trade system has no incentive to lower prices.

How are we to increase output. I believe that expanding cooperation within the Leningrad area is one way. Our association presently produces 50 kopecks worth of goods for the people per ruble of wage fund. We shall increase their output and master the production of gardening items and stainless steel thermoses. We want to set up the production of all sorts of kitchen equipment. We immediately encounter difficulties in setting up the operation, however. Here is a simple example. When we decided to make plastic children's sleighs we had to prepare a fairly large die. I am ashamed to say that preparations for the production of this item took 5 years.

[N.A. Ignatyev] The Metalloposuda Association waited more than 2 years for an ordinary teapot handle.

[V.V. Kotylevskiy] In general, the manufacture of such tools is the problem of problems for most Leningrad enterprises. We must have a specialized tool plant. This matter was raised many years ago, and it has still not lost its urgency.

Cooperation needs to be organized on a qualitatively new basis. We made an attempt together with Elektrosila

to produce electric meat grinders. We were prepared to make certain parts, deliver them to Elektrosila in exchange for assembly parts and then assemble the entire product. Several months have gone by, however, and the Elektrosila people have not yet provided the necessary drawings. We need electric motors for dishwashers, for example. It was suggested that we set up their production, but the suggestion was rejected. We are now working out an alternative, setting up production of the motors at a plant in Gusev, Kaliningrad Oblast, particularly since the collective there wants the plant to become a part of the Tekhnokhim MGO [not further identified]. These are all future plans, however. I support the suggestion that we need to build in Leningrad a plant specializing in the production of electric motors for household equipment. It could provide a great many [enterprises] with its products. I believe that the Leningrad Executive Committee should establish a situation most conducive to the building of an enterprise amenable to the production of electric motors for household equipment.

[B.N. Taller] We also feel the dictate of the trade system. We expend an extremely significant amount for each woodworking lathe we produce, which provides only 3-4 rubles in profit. We could rectify this situation somewhat by arranging for direct sales of the products through our own store. The trade system is afraid of losing the trade discount received from the enterprise, however, and rejects our suggestion. But then we ourselves are not overly enthusiastic about making a product which actually does not earn enough to cover the production costs.

[I.G. Rekord, director of the Scientific Consultation Center at the Finance and Economics Institute imeni N.A. Voznesenskiy] This occurs because our trade system is actually the distributor of the goods. It should be a commercial enterprise, however. Let us say that slow-moving goods have accumulated at the bases. The manufacturers can be blamed. But then they received orders for the product. They sold it to the wholesale purchaser. So he should be responsible for what he bought and cover losses out of his own funds. Today, the trade system bears practically no liability for not studying demand or for orders compiled "by cursory estimate." It zealously rails at the suppliers, however.

When a producer begins preparations for production he must have a good idea of precisely what products the consumer needs, how many and at what price, where to obtain the production documents, and so forth. In other words, he has to engage directly in marketing.

I have been working for several months now on the adoption of a system of economic incentives for consumer goods production at the Kirovskiy Zavod. I encountered these questions from the very beginning. The system itself was recently described in LENIN-GRADSKAYA PRAVDA, and I want to stress once more the fact that we would hardly have been able to do anything at the Kirovskiy Zavod if our relations with the trade component had not been changed.

[V.L. Turkin, chief engineer for the Nevskiy Zavod Association imeni V.I. Lenin] The marketing service needs to be developed as extensively as possible, of course. Unfortunately, we are frequently forced to reinvent the wheel, even though there are scientific organizations, as an example, which could work out the technology and the design according to our orders and help with other specific matters. The Nevskiy Zavod intends to increase the output of consumer goods 2.5-fold during the next 5-year period (we now produce 23 kopecks worth of goods per ruble of wages). We manufacture 23 different products and many things out of the byproducts. We have also begun producing medical items and a considerable quantity of laboratory equipment meeting foreign standards.

It is the usual situation, incidentally. The vessels designated for use on electric burners must have a reinforced bottom and an exceptionally smooth surface. This means that we need a special technology which we have never before used in our main production operation. Someone has it, though. Someone is using it, but we have to invent it anew.

[G.S. Khizha, general director of the Svetlana Association] Unfortunately, we have to overcome enormous difficulties and obstacles to get anything done, although there are many interesting ideas today. The Svetlana recently succeeded in resolving one extremely important, fundamental problem. The State Commission of the USSR Council of Ministers approved our suggestions for increasing the firm collective's incentive to produce consumer goods. As of now, all profits from production over and above the yearly level (this year is the base year) will remain at the enterprise at the disposal of the collectives which earn them. And the Svetlana has received authority to dispose of this profit at the discretion of the STK [not further identified]. In addition, we are opening another account at the bank, and earnings from the sale of consumer goods will go into it.

And so, part of the goods we produce will go to our proprietary store, and the earnings from them will go into the aforementioned account. This money will go to the shop collectives, which will set up the necessary funds and settle with the subcontractors. They will also take wages from it, which will be paid out only after the goods have actually been sold. Essentially, shops producing consumer goods are receiving the same economic rights and benefits as those enjoyed by the cooperatives. I am convinced that this is one of the most important mechanisms we need today for developing initiative in the state enterprises.

Since the additional goods produced will be sold through our own Svetlana trade system, the amount of the trade discount will be added to the profits. A council of the labor collective will decide how the income is to be used. I would point out that this income, made up of ready money from the population, contains not a kopeck of so-called non-cash, "dead" money whose conversion into "live" money is today rightly named as one of the

main sources of the advancing inflation. The STK is authorized to channel the money acquired into any of three economic incentive funds.

And a few more thoughts. About price setting. Unlike the cooperatives, which perform work and services based on prices and rates established independently by agreement with the consumers, we plan to sell the additional output of consumer goods at state prices—at agreed-upon retail prices based on calculated outlays only in the absence of these. This rules out the possibility of arbitrarily raising prices and speculating on the interplay of supply and demand.

The wages paid to workers employed in the production of consumer goods or providing paid services for the population have to pass through subcontracting sections, shops and collectives, which will increase responsibility and material incentives to achieve good end results at minimal cost.

In addition, part of the additional funds are to be centralized and used as bonuses for workers, specialists and managers in other subdivisions for making timely preparations for consumer goods production and developing new products and as incentives for the labor collectives of construction enterprises and organizations providing the raw and processed materials and assembly parts necessary for their production. After all, as has been correctly stressed here, it is difficult to count on success in this area without an economic incentive for our subcontractors.

The growth of wages under this system will strictly correspond to the growth of production. The accumulation of funds in a separate account will also promote their goal-oriented use for developing consumer goods and services and tooling up for their production.

The participants of the Businessmen's Club believe:

- that a number of fundamental economic, technological and organizational measures are needed for drastically increasing the output of consumer goods, enlarging the assortment and improving their quality;
- that limitations on wages for the producers of consumer goods must be lifted when this is not the main production line at the enterprise;
- that it would be expedient to begin setting prices for all new goods at the Leningrad City Executive Committee, bypassing the State Committee on Prices and other organization;
- that the Leningrad Main Supply Administration is obligated to create a situation of priority for supplying the consumer goods industry with the necessary equipment and spare parts and to introduce the unlimited and unfunded release of materials and assembly parts for specific purposes;
- that the consumer goods production base needs to be strengthened; specifically, the need has arrived to
 - build a specialized tool plant and an enterprise for the production of electric motors for household appliances;
 - that we must develop and intensify in every way cooperation in the production of consumer goods within the Leningrad area;
 - that we must grant enterprises the authority to exchange consumer goods produced over and above the plan through direct contacts;
 - that we should study the experience of the Svetlana and Kirovskiy Zavod associations in the development of an economic policy aimed at further encouraging consumer goods production and take steps toward its extensive dissemination based on the specific circumstances of each enterprise;
 - that we need to organize a unified service for the study of competition and demand in the consumer market in the Leningrad area;
 - that each enterprise should have a comprehensive program for the development of new types of products and for increasing output to more fully satisfy consumer demand;
 - that it is very important, as the participants in the Businessmen's Club stressed, to regularly publicize positive experience acquired at specific enterprises and how they succeed in overcoming departmental and bureaucratic barriers on the way to the consumer; the editors accept these proposals and intend to continue monitoring problems involved in consumer goods production.

Proposed Amendments to Cooperative Law Called 'Step Backward'

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[Roundtable dialogue with A. Yakovlev, M. Masarskiy, et al, by S. Brusin: "Rudiments of Cooperatives"]

[Text] Probably, nowadays nothing develops in such a contradictory and zigzag manner as cooperatives. Society is learning to differentiate grain from weeds. However, negative tendencies both within and without cooperatives are strong, which produces the population's negative reaction. All this was also reflected, as in a mirror, in the course of the discussion during the first reading of the amendments to the Law on Cooperatives at a session of the USSR Supreme Soviet. There were voices "for" and "against," but the voices that were not properly heard were those of the cooperative workers themselves. Taking into consideration the fact that the discussion has not been completed and the draft continues to be worked on, SOVETSKAYA ROSSIYA invited the following interested individuals for a "round table" dialogue: A. Yakovlev, USSR people's deputy, chairman of the Central Builders' Trade-Union Committee, and M. Masarskiy, vice-president of the Union of USSR Construction and

Industrial Cooperatives, as well as O. Khorov and L. Napalkov, executive director and head of the information sector of this union respectively.

O. Khorov: I will begin from the general impression of how the first reading of the amendments to the Law on Cooperatives was conducted. To be honest, the impression of all those who tied their fates to cooperatives was depressing. It was difficult to see how some deputies tried to solve the most complex economic and social problems lightly, on the spur of the moment, and without a serious study.

Unfortunately, cooperative workers saw in this a continuation of the process of plunging from side to side in the area of legislation with respect to cooperatives, which has been going on for 2 years. All those who undertake to regulate cooperatives—and, alas, the present session is not an exception—right away try in a strong-willed manner to close something and to leave something, without studying the nature of negative phenomena and understanding even the rudiments of application of economic levers.

For example, most of the deputies who spoke were not familiar with the rich experience in the development and regulation of cooperatives in socialist and, moreover, capitalist countries. Why is the "price barrier" not practised in our country, while it is widely applied in socialist countries? For example, in Czechoslovakia the price of cooperatives' products cannot exceed the state price more than 10 to 15 percent and even such an excess is substantiated by a small-series manufacture, or by an improved quality...

M. Masarskiy: It was asserted from the rostrum that cooperative workers were consulted during the preparation of draft laws. In fact, several people took part in the work and gave their suggestions... In the end, however, these proposals were not taken into account. In essence, documents reflect the drafters' monologue, not dialogue. In my opinion, we are on the threshold of making a step backward as compared with the Law on Cooperatives presently in effect.

For example, quite recently leading economists—L. Abalkin, V. Tikhonov, and others—were proud that the law provided for a legally irreproachable opening of a new cooperative without prior arrangement and registration. Now it is proposed that it be abolished and that a "permitting" principle be introduced, that is, the fate of a cooperative depends on whether a deputy commission and a union of cooperatives permit it: They will continue to be the last authority. However, do we not encourage monopolism with this?

A union of cooperatives—be it sectorial or territorial—is also secretly inclined toward monopolism. The strongest cooperatives, which set the tone in its work, probably, are disposed against the appearance of competitors even more than the state sector. Incidentally, world practice

abounds in examples where conspiring groups of cooperatives do not let strangers and novices into their sphere of influence.

O. Khorov: Amendments to the Law on Cooperatives promote monopolism in other things as well. They aggravate the position of cooperatives, which, anyway, is economically unequal and restricted as compared with that of state enterprises. First of all, starting conditions are unequal: for example, virtually all construction cooperatives are established on the basis of chronically unprofitable and low-profitability enterprises. L. Abalkin pointed out specific examples.

M. Masarskiy: Our Volkhoz Cooperative, about which, incidentally, SOVETSKAYA ROSSIYA has already written, began from zero—we only had a typewriter. Now, however, we have at our disposal fixed capital worth about 11 million rubles. We have bought equipment worth 2.5 million with our own wages. We have leased a broken down brick plant, which before us produced 12 to 13 million bricks annually. We have replaced manual labor, introduced new technologies and, although the plant continues to be an old production facility as it was, now 92 workers manufacture 24 million bricks, that is, twice as much.

A. Yakovlev: For the sake of fairness it should be noted that cooperatives have advantages in some things over state enterprises. They enjoy significant tax privileges during the first 2 years—the period of formation. Nor do they incur overheads and convert them into ready cash. I have in mind, first of all, tiny cooperatives with 50 people—they have neither premises for domestic services for workers, nor their own production base and so forth. They can fully put in their pockets the 19 percent included in the price as overheads and the 8 percent intended for planned accumulation, which they do. But, for example, well-established cooperatives have considerable overheads.

I agree, however, that without wholesale trade in raw materials and equipment the inequality of the two sectors persists and, thereby, the existing situation, essentially, pushes cooperative workers into bribes, speculation, and other illegal acts.

M. Masarskiy: The amendments do not take into account the interests of production cooperatives as subjects of the new market economy, which are beginning to operate in an economic system where there is no market. Incidentally, in the "one's own home" program, which encompasses the country's construction cooperatives, we ourselves have made an attempt to organize our autonomous market, but this is a half-measure. It is necessary to develop the market of the entire economy in an accelerated manner if we want the cooperative movement to survive. Because, as long as it does not exist, a cooperative, at the moment of its appearance, immediately enters into a conflict both with the state sector of industry and with the population.

A year ago N. I. Ryzhkov spoke at the Presidium of the USSR Council of Ministers in the spirit that, if cooperatives "succeeded" in quarreling with the majority of the population, the government would not succeed in protecting them. Alas, the amendments to the Law on Cooperatives do not direct us toward working for the population. The population has money, but not resources and, therefore, cooperatives try to fulfill a state order, which presupposes the allocation of resources. However, we do not service the population sufficiently.

O. Khorov: On our part there are proposals on how to make cooperatives face the population. The presently established taxation procedure gives privileges extending to the entire area of consumer goods production by cooperatives. In addition, it is necessary to stipulate especially: Housing also belongs to the category of consumer goods. Furthermore, state enterprises and cooperatives should be equated in matters of housing construction supply and you may be confident that then cooperatives will literally throw themselves into a competition for the right to build homes with the population's funds.

O. Khorov [sic]: The unequal position of cooperatives and state enterprises also remains in tax policy. As before, it is proposed that the tax on a state enterprise be computed from the profit, but on a cooperative, from income. What is the difference? Profit is the part of income remaining after deductions for the total expenditures of an enterprise. It turns out that the tax on a state enterprise is 30 percent of the profit and the tax on a cooperative, 25 percent of the income. In fact, however, in terms of the amount of profit it is 75 to 80 percent. The inequality is obvious. Hence the proposal: For cooperatives, whose activity is fully built at uniform state norms and rates—and construction cooperatives are precisely such—the tax should be computed just as strictly, in the same manner as with respect to state enterprises.

M. Masarskiy: Something should be clarified here. At a state enterprise, wages are taxed twice—according to the expenditure item and as personal income. In other words, workers' wages are included in expenditures. At a cooperative, however, wages are taxed three times—according to the income item, according to the expenditure item, and as citizens' personal income.

Despite the obvious injustice, there is also a fundamental difficulty here—it is very difficult to single out wages in the income of a cooperative. What is the way out? We propose the introduction of a normative wage fund calculated in a strictly scientific manner on the basis of fund-forming sources and, thus, the establishment of a general state criterion—an average sectorial normative fund, that is, an average sum included in production costs for wages. In construction this will be about 80 percent of the estimate. This part should not be taxed—it should be considered a natural part of production expenditures. If, however, in the practice of a specific cooperative wages rise above this line—they should be taxed.

L. Napalkov: Support for production cooperatives is now declared. However, a mechanism of taxing a wage fund increase, which will give opposite results, was adopted. We understand that this is an extraordinary measure for 15 months, but we are afraid that the temporary may become permanent. Cooperatives, which during the fourth quarter of last year maximally "stuffed" their income "into their pockets" and did not put it into production development, have a more advantageous base for counting the 3 percent determined as the borderline for the progressive tax.

A. Yakovlev: I would like to dwell separately on the attitude toward cooperatives. As is well known, this problem was examined at the recent AUCCTU Plenum. In essence, the plenum reflected the sentiments of workers demanding that a limit be put on legalized speculation. In fact, walk through Moscow markets. The price of meat, which quite recently was 7 or 8 rubles per kg, has risen in front of our eyes—10 to 12 rubles. Cooperative workers sell piles of watermelons at contractual prices, that is, 1 ruble per kg, while stores, at 30 kopecks. I want to stress especially that local soviets, which put up with the dubious activity under the guise of cooperatives, are to blame for this to no lesser extent. Not long ago on a mission to Chita I drew attention to the fact that meat on the market cost 4 to 4.5 rubles. Local bodies of power manifested firmness and established a ceiling acceptable for the population. However, such examples are few. In most cases trade and purchase cooperatives rake money without control. That is why the AUCCTU Plenum made the proposal that speculative cooperatives be closed and only those that produce products be left. This is one aspect of the matter.

There is also another aspect. Unfortunately, I see a vast number of examples of a lack of commercial enterprise on the part of state bodies. We have not yet seen their support in anything. The USSR State Committee for Construction Affairs did not lift a finger to help the union. As a result, we, the Central Trade-Union Committee, have to be occupied with the union. And we will help it, since we see great benefit in this for the state.

PLANNING, PLAN IMPLEMENTATION

Production Shortfalls Disrupt Fulfillment of State Orders

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in Russian

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[Article by K. Malakhov, deputy chairman of USSR Gosplan, under "Current Problems in the Economy and Planning" rubric: "Material and Technical Supply of the National Economy"]

[Text] The improvement of material and technical supply and the provision of balance in the plans and natural-material proportions of the development of the national economy under the conditions of the transition

of enterprises to full cost accounting represents one of the central and most complex problems in the restructuring of the management of the country's economy.

The system of material and technical supply is being restructured taking into account the extension of the rights and independence of the union republics, associations, enterprises and organizations, the development of wholesale trade and direct economic ties and the reduction of the centralized planning of the size of deliveries of distributed resources.

The list of resources centrally distributed by USSR Gosplan and USSR Gosnab will be reduced in 1990 by a factor of 14 compared with 1987 and will amount to 610 items determining the pace and proportions of the economic and social development of the country. Of these, 360 items will be included in the state order and 250 in control figures.

The regimentation of the assortment of distributed physical resources is completely precluded. The specific output included in the group products list will be coordinated and determined in contracts directly between suppliers and consumers. The output of interministerial consumption is not included in the state order and accordingly is not distributed. There has been a substantial expansion of the real rights and independence of enterprises and associations in the area of the physical balance of the volumes of production and the kinds of work and services. Enterprises sell the output produced above contracted levels as they see fit.

The tasks have been set of establishing an efficient and mobile system of material and technical supply to ensure the proportional and balanced development of the country's economy, of carrying out a decisive transition from the centralized allocation of physical resources to wholesale trade in the means of production and the distribution of the means of production of special importance for the national economy, and of producing at ceilings.

Under the new conditions of management, material balance in the entire national economy depends upon the state plan as well as the plans of the union republics and their independent horizontal ties.

The mechanism of material and technical supply changes in a fundamental way with the introduction of the new system of management. Complete balance in production and construction must now be achieved not only in the center but also locally through the organization and strengthening of direct economic ties between suppliers and consumers as well as in wholesale trade channels.

In 1990, measures will continue to be carried out in the **formation of the socialist market** for the means of production, which in the future must be the main form of the material and technical supply of enterprises and organizations. The staged development of wholesale trade was one of the first steps on this road.

At the present time, all scientific research and planning and design organizations, enterprises and organizations of nonindustrial ministries and departments of the former Ministry of Construction, Road and Municipal Machine Building, the Estonian SSR, Yakutskaya ASSR, Tuvinskaya ASSR, Kamchatka, Sakhalin and Magadan oblasts, and construction ministries of a number of union republics are being supplied through wholesale trade.

In 1990, it is planned to increase the volume of the sale of production and technical output to 200 billion rubles compared with 40 billion in 1988 and 115 billion in the current year.

This is a completely new form of relations between suppliers and consumers based on mutual responsibility and aimed at giving enterprises the possibility of freely acquiring all that is necessary for their own production and social needs through earned money. Questions in the free buying and selling and marketing of output under the new conditions are being resolved independently by the enterprises on the basis of direct ties between manufacturer and consumer or under contracts with a cost-accounting intermediary—territorial supply agencies of USSR Gosnab. The main thing will not be the customary increase in the volumes of the production of output but the resolute adaptation of its structures to real demand.

The initial experience in the work of enterprises and regions that have been transferred to wholesale trade confirms its definite advantages in comparison with traditional forms of supplying and marketing output. Thus, the Estonian SSR Gosnab fulfilled all orders received from consumers through wholesale trade. The consumption of resources has been stabilized at the level of 1988 and thereby consumer stocks were reduced. In particular, the remnants of physical assets in the republic's construction organizations declined by 8.6 percent last year and amounted to about 88 percent of the established standard.

But the first steps in the development of wholesale trade and market relations also revealed many problems. The experience gained in the work in 1987-1989 shows that it is impossible to develop wholesale trade successfully through the mechanical reduction of the state order without having resolved the fundamental problems in the formation of the socialist market for the means of production. Today we have not yet worked out methods for the organization of wholesale trade or a mechanism for the study by suppliers of the real needs of consumers for physical resources.

Negative tendencies are also arising under the conditions of the existing expenditure structure of our economy, a significant financial imbalance accompanied by the emission of paper money, and the increase in the scale of wholesale trade in the means of production. They include the monopolism of supply enterprises, the strengthening of local and departmental interests, the

rise of exchange in kind accompanied by the reduced production of unprofitable kinds of output in acute shortage, the washing out of the inexpensive assortment of goods, and the lack of provision of state orders with individual kinds of resources.

Some associations and enterprises transferred to the provision with material and technical resources through wholesale trade are not receiving effective help from the territorial agencies of USSR Gosnab in organizing direct ties.

A particularly acute question is that of the satisfaction of the needs of enterprises for output not distributed in a centralized manner but extremely necessary for the fulfillment of the state order for the issue of new products or the introduction of new technologies.

Thus, in April of this year, the Kremenchug Road Machinery Plant demanded materials in short supply (cement, motor vehicle tires and lumber) from the council of the labor collective of the Omskavtodor Planning, Repair and Construction Association for the delivery of spare parts and 100,000 uncompensated rubles from the production development fund. This means that Omskavtodor would have to pay the Kremenchug Plant 10 times the actual cost for each spare part.

The staged introduction of wholesale trade has not yet led to an increase in the mobility and flexibility of material and technical supply but in many cases has complicated it, because the old principle of imposing limits rather than allowing free selling still exists in the practice of wholesale trade. In this connection, many enterprises are having great difficulties in meeting state orders for material and technical resources sold under direct ties and in providing the most important construction projects with equipment. A certain amount of time is still needed to complete the fundamental restructuring of the work of the territorial agencies of USSR Gosnab and the organization of direct ties as well as a significant increase in their initiative and action in the establishment of market relations between consumers and suppliers.

It is necessary for the agencies of material and technical supply of USSR Gosnab and USSR State Arbitration to be more active in helping to preserve, strengthen and improve the existing economic ties to ensure the stable material and technical supply of enterprises with output not included in the state order and not distributed in accordance with consumption ceilings.

USSR Gosplan is obligated to establish sufficient reserves for the reliability of material and technical supply as well as the prompt resolution of tasks not considered in the plan but arising under extreme circumstances. Above all it must take measures to increase operational reserves for the most important kinds of output and prepare proposals on the increase in the

volumes of commodity stocks at the bases of USSR Gosnab as a result of the corresponding reduction of transitory consumer stocks.

Material and technical supply will be regulated in 1990 for a limited list of resources through consumption ceilings determined on the basis of control figures for the volumes of the production of output accepted by the enterprises as well as the development of the most important accounting balances to guarantee a physical equilibrium at the macrolevel, to give an objective evaluation of the conditions of supply and demand for specific kinds of output in the country and to reveal bottlenecks in the supply of the national economy. The ceilings take into account the possibilities and tasks in the saving of raw materials, supplies, fuel and energy.

USSR Gosplan has determined the priorities for the formation of ceilings for centrally distributed material and technical resources on the basis of state orders that do not now fully cover the production and construction programs. The indicated priorities include:

- the provision of resources for buildings foreseen in the state order;
- the provision of resources for the agroindustrial complex, the production of consumer goods and paid services;
- the delivery of resources for exports and the domestic retail market;
- the ensuring of the production and operational work of the social and cultural sphere and the development of its material base;
- the provision of resources for defense needs;
- the development of technology, the USSR Academy of Sciences and its divisions;
- state and operational reserves of the USSR Council of Ministers and an undistributed reserve;
- provision of resources for construction and installation work for construction projects intended for production being carried out through own resources and included in the list of facilities of state orders, construction projects of defense branches and the gold-mining industry, the construction of roads in the land poor in chernozem, and facilities in the social sphere.

In 1990, the undistributed part of resources from deliveries under state orders will be allocated to consumers for residual needs proportional to their calculated requirement taking into account the special features of the utilization of specific kinds of output.

In reducing the amount of the production of output under the state order beyond the limits of centralized supply, a certain share of output of machine building and

production construction, technical servicing, the repair of fixed production capital, and several other needs will remain.

In the initial stage, the realization of the indicated approach can, in individual cases, lead to a complication of the process of material and technical supply, because the market distribution of output will not always correspond or coincide with the needs of those directions of consumption that will remain beyond the bounds of planned provision.

It is planned to leave more than 4 million tons of rolled ferrous metals, 1 million tons of steel pipe, 6 million tons of cement and about 100,000 tons of polymer materials and other kinds of material and technical resources at the disposition of manufacturing enterprises for free sale without stocks and limits. It is necessary for enterprises, organizations and supply agencies of the ministries and departments of the USSR and territorial agencies of material and technical supply of USSR Gosstab to do much work on the signing of delivery contracts in 1990 for the output remaining beyond the bounds of centralized distribution taking state interests into maximum consideration.

Foreign economic activities are an important part of the work of enterprises. They must be carried out on the basis of currency cost recovery and self-financing. But this work must be organized under the qualitatively new principle of economic independence, the introduction of which represents an integral part of the economic reform in the country. Currency cost recovery is a means of carrying on foreign economic activities in which currency expenditures are fully covered through the receipt of foreign exchange from the sale of own output and services. The objective of the transfer of enterprises to the conditions of currency cost recovery is to make the provision of enterprise with foreign exchange directly dependent upon the foreign economic results of its economic activities. The stocks of foreign-exchange allocations formed in accordance with stable long-term standards from resources received from the sale of output in the external market must be utilized above all for the purchase of raw materials, supplies and completing products as well as equipment and the associated spare parts for the technical reequipment, reconstruction and development of production and the improvement of its technical level. The currency cost recovery of enterprises is attaining a particular urgency the present time, when the state does not have the possibility of allocating significant foreign exchange for the purchase of physical resources that ought to be produced at domestic enterprises. In the plan for 1990, there are sharp reductions of purchases of chemical, metallurgical and other kinds of output through centralized foreign exchange.

Centralized foreign exchange is used above all for the purchase of food, highly efficient consumer goods and resources in short supply, the domestic production of which cannot be increased in a short time.

These measures were taken in connection with the country's increased indebtedness in recent years. Today about half of the country's receipts in freely convertible foreign exchange are already going to pay off financial credits received from foreign banks. The continued receipt of new large credits would mean an even larger transfer of foreign exchange to Western creditors. Under these conditions, it is necessary for the enterprises themselves to use some of their foreign exchange for the purchase of needed physical resources for their own consumption.

The right of enterprises and organizations to carry out direct export and import operations gives them the possibility of the independent search for commodities and choice of markets and partners.

But we are seeing such unfortunate occurrences as the sale of goods at unjustifiably low prices and purchases at elevated prices, the sale of output in short supply for the national economy and purchased abroad, and the importation of output that can be produced in our country, which leads to significant losses.

It is certainly time to learn to expend our own resources efficiently and not, as before, to count on obtaining them from the state budget. This requirement applies in particular to the earning of foreign exchange and to its rational utilization.

We have recently become to observe an alarming tendency toward the reduction of the production and removal of the capacities for the production of extremely important kinds of output for ecological reasons. As a result, deliveries of the basic kinds of chemical and petrochemical output are developing with considerable strain. This is caused primarily by the unsatisfactory utilization of the established production potential, the significant lag in putting into operation production capacities equipped with devices ensuring ecological purity, and the sometimes unjustified removal of individual capacities from operation.

In this connection and also because of the delay in introducing new capacities, the volume of production in 1990, according to the sum of enterprise plans, is declining by 5.2 million tons for mineral fertilizers in comparison with the five-year plan, by 951,000 tons for soda products, by 387,000 tons for methanol, 513,000 tons for polymer materials, 282,000 tons for synthetic rubber and 265,000 tons for chemical fibers and threads, which greatly complicates the resolution of the task of balancing the need for these products for light industry and the production of consumer goods and makes it necessary to increase their purchase through freely convertible currency. The present situation was also brought about by the fact that in the years 1986-1988 capacities for the production of 1 million tons of ammonia, more than 1.1 million tons of mineral fertilizers, about 100,000 tons of caustic soda, 76,000 tons of carbamide-formaldehyde resin, 138,000 tons of Formalin, 700,000 tons of sulfuric acid and 37,500 tons of chloroprene rubber and a number of other products were taken out of

operation at the Nairit Scientific Production Association in Yerevan for ecological reasons.

The breakdown of the Western Siberia-Urals-Volga pipeline led to an acute deficit of hydrocarbon raw materials, which substantially reduced the production of synthetic rubber, tires, synthetic resins, plastics and other petrochemical products. It is necessary for the USSR Ministry of the Petroleum and Gas Industry and the USSR Ministry of Construction of Petroleum and Gas Industry Enterprises to carry out an entire complex of measures in the repair and reconstruction of the pipeline and to restore it completely in the current year. Otherwise this will lead to the nonfulfillment of the program planned for this year for the production of up to 200,000 tons of synthetic rubber, more than 100,000 tons of synthetic resin and plastics, and up to 20 percent of tires.

In connection with the unfavorable ecological situation that has developed in a number of regions, capacities for the production of up to 230,000 tons of cellulose annually have been shut down and, taking into account the tightening of demands on environmental protection, the cellulose production losses in 1990 may reach almost 400,000 tons, including 200,000 tons for paper and cardboard. In Uzbek SSR, they have decided to close the Novokokandskiy Chemical Plant, which was put into operation 5 years ago. The losses will amount to 160,000 tons of fertilizer and 500,000 tons of sulfuric acid, which will have to be brought in from the European part of the USSR. In Armenian SSR, they have decided to take the only capacity in the country for the production of 50,000 tons of chloroprene rubber out of operation on 1 January 1990. And it should thereby be kept in mind that it is impossible to purchase such quantities of rubber through freely convertible foreign exchange (about 100 million rubles) because of the lack of offers in the foreign market and the acute shortage of foreign exchange.

The best approach to the elimination of the enumerated difficulties is the comprehensive forced fulfillment of the necessary measures for environmental protection rather than a general one-time shutting down of capacities, leading to a serious unbalancing of the national economy and the unjustified increase in purchases of chemical products abroad. If the negative phenomena are assessed together, it must be recognized that it is becoming difficult to predict the development of a number of branches.

It is necessary to talk about the market in particular. The reasons for the many negative occurrences that have arisen in the last 2 years are that we have had a certain weakening of the significance of planning indicators and also that market relations are being introduced only slowly. But for the market to work, it will be necessary to introduce fundamental reforms in the system of ownership, planning and price-setting, resolutely transfer all production to strictly contractual relations, and establish a system of state and republic taxes. The socialist market cannot function without these conditions. Even granting the enterprises the possibility of independently disposing

of part of their output beyond the state order does not lead to a market but sometimes to simple barter, which cannot be a serious replacement of the existing methods.

USSR Gossnab together with USSR Gosplan and other agencies have prepared proposals on the overcoming of monopolism with the help of economic and legal measures and the establishment of competing firms and enterprises. The proposals provide for a program of urgent measures to eliminate the monopoly structure of production and to develop socialist competition. And, in our opinion, it is expedient to adopt them legislatively.

Further work has been done on the improvement of the formation of direct long-term economic ties in 1990. The corresponding plan has been affirmed taking into account the experience gained. More than 2,000 All-Union fairs for different kinds of production and technical output were held in the period from April through June of 1989. It is planned to increase their effectiveness significantly in 1989-1990 and specific tasks have been specified for interbranch complexes and territorial agencies of USSR Gossnab and their commercial centers both in the period before the fairs as well as during the time when they are held.

For the purpose of providing enterprises with the necessary commercial information that allows them to react promptly to changes in the supply and demand situation and to utilize production capacities and physical and other resources more rationally, USSR Gossnab is establishing an automated information system that includes a state commercial information bank and a network of regional commercial centers. At the present time, more than 100 such centers that provide services to enterprises in the formation of economic ties have already been established.

The territorial agencies of USSR Gossnab must restructure their own activities more vigorously: expand and raise the quality of services provided to enterprises; study and analyze information on supply and demand for the means of production on a new basis; forecast the rise of shortages and carry out measures to prevent them, that is, implement marketing more extensively.

The basis of the balanced development of all branches of the national economy is the timely making of contracts for the delivery of output and their fulfillment.

In the country's unified national economic complex, the work of each labor collective has a definite impact not only on the work of individual enterprises and their subcontractors but in the final analysis also has a substantial influence on the pace and proportions of the development of the economy as a whole and on the degree of the satisfaction of the urgent needs of the society. In the existing production cooperation, each enterprise inevitably fulfills the functions of supplier and consumer. And if today for some reason it refused to help its partner and did not fulfill its obligations to that partner, then tomorrow it may find itself in the role of

the suffering side. The experience in the work of enterprises in 1989-1990 provided many examples in which the failure of one enterprise to perform a task for one reason or another gave rise to a "chain" reaction, often leading to irrevocable losses. This puts new and higher demands on the organization of planning, economic and juridical work at enterprises and significantly increases their responsibility for the organization of rational economic ties.

The level of the commercial activities of enterprises must be raised significantly under the new conditions. It should be noted that many economists are still not taking an active position in the matter of searching for and organizing new business ties, have an old-fashioned attitude toward the study and introduction of progressive undertakings, and are paying too little attention to advertising. In short, we are feeling the burden of unfortunate experience, when enterprises showed inertia and passively waited for someone else to allocate the necessary means, raw materials, equipment and supplies.

The timely carrying out of contract campaigns is increasing particularly by virtue of the fundamental change in the system of planning. It is being democratized in practice. Just yesterday contracts were made for planning targets issued from above. Today the sum of contracts signed between enterprises is made the basis of the state plan. They determine the degree of satisfaction of needs and the observance of progressive national economic proportions.

According to the data of the USSR State Committee for Statistics, enterprises of 21 industrial ministries for which there is an accounting of the course of the signing of contracts for the delivery of output adopted production plans for 1989 that were 2 billion rubles below the control figures, including 1.8 billion rubles for the ministries of the machine building complex.

An analysis shows that the basic reasons for the untimely and incomplete making of contracts in the period under consideration were:

- a strengthening of the dictates of suppliers expressed in the unilateral removal or reduction of the production of output previously produced, in demands for a nonequivalent exchange for the delivery of needed output, and frequently in cases of open extortion for its release or the acquisition of individual kinds of freely sold output at the location of manufacturers to the detriment of other consumers;
- disproportions between interdependent production capacities of a number of industrial branches and the passive position of many ministries and departments of the USSR that have practically evaded their responsibility for satisfying the needs of the national economy and the elimination of these disproportions;
- the nonconformity of the production plans of individual enterprises with the orders of consumers with

respect to the product list, assortment, technical level and quality of produced output;

- the limitedness of allocated consumption limits for some kinds of physical resources in acute shortage;
- the continuing practice of evaluating the activities of production collectives on the basis of the general rates of growth of the volumes of production and the means of the formation of fund for the remuneration of labor that do not encourage the manufacturer to satisfy the demand of consumers for an assortment or to raise the quality of output and its technical level;
- the imperfection of price-setting, which leads to the cessation of the production of output that is in short supply but unprofitable or of low profitability;
- the inadequate efficiency of the operative system of economic incentives that do not encourage manufacturers to increase the volumes of production of necessary output primarily through the technical reequipment and reconstruction of operative production capacities;
- the striving of individual enterprises independently to export kinds of output in short supply through the reduction of their deliveries to domestic consumers, including for priority national economic needs;
- the existing imbalance between the total volume of the output of the means of production and the total payments resources of enterprises and organizations in connection with the formation of significant financial savings;
- the insufficient material responsibility of manufacturers for avoiding the making of a contract.

In a number of positions, the plans adopted by enterprises do not ensure the fulfillment of the state order foreseen by the plan for 1989. In particular, the enterprises of the USSR Ministry of the Machine Tool and Tool Building Industry have adopted plans below the state order for such important products as automatic and semiautomatic machine lines by 5 percent, by 6 percent for foundry machines for thermoplasts and thermosetting plastics, and by 21 percent for automatic and semiautomatic forging and stamping lines. Plans below the state order were adopted for a number of consumer commodities in short supply—e.g. by 1.6 percent for washing machines, 1.7 percent for radio receivers, 2.3 percent for bicycles and 1.9 percent for motorcycles.

The shortcomings in the work of a number of the country's industrial branches are creating strain in material and technical supply. Contractual obligations for deliveries of output in accordance with the state order and in direct ties with consumers were 99.1 percent fulfilled in the first 7 months of 1989, or at the level of the corresponding period of last year. It would seem that 0.9 percent is not such a large amount but there was

shortfall of 4 billion rubles in deliveries of output to consumers and 20 percent of enterprises failed to fulfill contractual obligations.

In some branches of physical production, there is not only instability in the functioning but also an increasing tendency to reduce the volume of the production of a number of extremely necessary kinds of output.

In the first half of 1989, the enterprises of the **machine building complex** did not fulfill the production plan for 24 items (33 percent) of the considered products list of the state order. The fulfillment was: 91 percent for diesel engines and diesel generators, 93 percent for main-line diesel locomotives, 95 percent for rolling equipment, 94 percent for excavators, and 93 percent for road graders. Also unfulfilled was the state order for main-line freight cars, chemical and polymer equipment, processing centers, personal computers and a number of other kinds of equipment. Individual enterprises in the machine building complex are even reducing the production of output needed by the national economy relative to the achieved levels. Thus, in 1989, the production of 250-horsepower road graders at the Chelyabinsk Road Machinery Plant was reduced by 55.4 percent relative to 1988 and that of hydraulic graders at the Bryansk Road Machinery Plant declined by 40 percent. The production of DS-143 asphalt layers at the Kremenchug Road Machinery Plant went down by 17.6 percent and that of power shovels with a capacity of 2 to 3.2 cubic meters at the Voronezh Production Association "Plant imeni Komintern" declined by 12.4 percent. A strained situation developed with respect to the provision of the national economy with small electric motors for electric appliances and the automation and mechanization of labor-intensive processes. At the same time, the enterprises of the USSR Ministry of the Electrical Equipment Industry adopted a plan for the production of 656,000, or 2.6 percent, fewer of these electric motors relative to the control figure. In 1989, a number of enterprises in this branch reduced the production of small electric motors for refrigerators and freezers by 8 percent in comparison with 1988.

The enterprises of the **metallurgical complex** undersupplied the national economy with output by the amount of 403,000 rubles, which is 1.5 times greater than in the corresponding period of the previous year. The 1989 plan for the aluminizing unit foreseen for introduction at the Cherepovetskiy Metallurgical Combine provides for the production of 100,000 tons of aluminized steel plate. The construction of this unit is lagging behind schedule and, as a result, only 20,000 tons of steel can be produced, which will complicate the situation with respect to the issue of consumer goods and modules with light metal structures for the needs of capital construction and other branches.

In the first half of 1989, enterprises of the **fuel and energy complex** undersupplied the national economy with output in the amount of 246 million rubles, which is three times the shortfall in output in the corresponding

period of last year. Consumers in the national economy were undersupplied with coal by 4.3 million tons, gas by 5 billion cubic meters, petroleum by 6.3 million tons, and electric power by 25.6 billion kilowatt-hours.

In the first half of 1989, the enterprises of the **chemical and lumber complex** undersupplied the national economy with output in the amount of 640 million rubles, which is 23.1 percent greater than in the corresponding period of last year. The national economy was undersupplied by a considerable amount for extremely important kinds of output: cellulose, rubber, plastics, caustic soda and soda ash, dyes, conveyor belts and other items, which seriously complicated the provision of consumers.

Great difficulties arose in the first half of 1989 in meeting the national economy's need for lumber products. In the fulfillment of the plan for the production of lumber and sawn timber, their underdelivery to consumers amounted to 3,934,000 and 400,000 cubic meters, respectively. The USSR Ministry of the Timber Industry is continuing the practice of the preferential delivery of lumber for its own needs to the detriment of the provision of the most important consumers with it. The plan for the delivery of lumber in the first half of 1989 was 81 percent fulfilled for consumers in the agroindustrial complex, 94.8 percent for the coal and mining industry, 92.4 percent for market allocations, and 97 percent for exports. The situation with respect to the delivery of lumber products worsened sharply in connection with its unsatisfactory transport by the railroad.

An especially acute matter is that of satisfying the requirements of enterprises for **output that is not distributed centrally** but is necessary for the fulfillment of the state order. Because the provision of state orders with resources sold in wholesale trade is done independently by enterprises, they depend almost completely upon the supplier. In this connection, a preferential right should be granted for the making of contracts for the delivery of output received through direct ties (independent of established ties) for enterprises that need it to fulfill state orders.

The mechanism now in effect is not very efficient in practice, because the procedure for the coordination of the projects of these contracts is intolerably slow and the ministries and USSR Gosstab do not have adequate controls for resolving these matters.

One should examine the question of granting the state arbitration offices the right to review disputes about forcing the manufacturer to enter into a contract for the delivery of output not distributed centrally in the absence of established ties and also to make final decisions on precontract disputes.

In our view, it is advisable to remove the existing limitations on the amount of the fine imposed for the nondelivery of output, increasing it from 100 to 500 rubles per day of delay without limiting the total sum.

Such a measure must be effective, considering that fines affect the cost-accounting income of the enterprise.

At the present time, on the basis of the experience gained, organizational and methodological work has been done with USSR ministries and departments, union republics and territorial offices of USSR Gosnab in the carrying out of the contract campaign for 1990. Specific plans have been developed for its improvement and a coordinating group of USSR Gosnab has been established to organize and control the course of the execution of the contract campaign. It includes representatives of the industrial ministries and departments of the USSR. The contract campaign for 1990 was begun under the difficult conditions of insufficient balance between the production of output and its consumption and the imperfection of the operative economic mechanism. For this reason, utilizing the experience that has been gained, it is extremely important to do everything possible to limit the influence of negative factors on the practice of making contracts and taking decisive measures for the financial normalization of the economy.

For the successful execution of the contract campaign for 1990 and its conclusion in the established time (by 15 October 1989), it is necessary for the ministries and departments of the USSR, in accordance with the information issued to them by USSR Gosnab on the attachment of consumers to the suppliers of centrally distributed output, to proceed immediately with their enterprises to work on the making of contracts, including for output for which no limits are being set.

The state plan for 1990 must occupy a worthy place in the overall system of measures for putting the economy in order. This plan has a number of special features.

In its approaches, proportions and proposed decisions, the draft plan can quite justifiably be considered extraordinary in connection with the influence of a number of negative occurrences and tendencies mentioned above on the economy.

It is necessary in 1990 to achieve a strengthening of the social orientation of the national economy. The beginning of the work on the draft showed the impossibility of resolving the task of material balance between the agroindustrial complex, social sphere and other priority state needs without the help of the external market.

The concluding stages of the work on the draft revealed the magnitude of the indebtedness, which did not fit into the real possibilities for the receipt of credits. For this reason, USSR Gosplan had to work out a version of the plan with a greater specific social orientation.

USSR Gosplan carried out a preliminary balancing of the draft plan for 1990 at the macrolevel. In developing the draft plan, USSR Gosplan provided for the concentration of centrally distributed material and technical resources for the resolution of the tasks in the social sphere and agroindustrial complex by reducing production consumption and industrial construction and by

carrying out conversion in the defense complex. Balance between the planned targets for production and capital construction in 1990 and material and technical resources is coming about under strain. This is the result above all of the reduction of the volumes of the production of a number of kinds of output in short supply in comparison with the control figures for 1990 in the projections of the ministries, departments and union republics.

A complex situation is developing with respect to meeting the need for the output of the metallurgical and chemical-lumber complexes (sheet metal, items for further processing, nonferrous metals, chemical and pulp products and others) and also for different kinds of raw materials for light industry.

USSR Gosplan, having chosen the most nearly optimum version of the export-import plan taking into account its necessary social orientation, has not yet been able to find a satisfactory solution to the problem of external indebtedness in freely convertible foreign exchange.

Under present conditions, the role of strengthening measures to save resources and to provide for the most efficient utilization of the country's resource potential is becoming more important. This path is the **main source of the material balance of the plan.** The calculations for the draft plan for 1990 foresee intensive but realistic tasks in all directions of resource saving that exceed the five-year plan for many kinds of physical resources. The alternative is this: either we will be able to realize these targets, expending each ton of resources economically, or we will encounter great difficulties of an economical and technical nature. There is no other alternative.

This is putting unprecedented demands on the problem of resource saving, which must be resolved on the basis of a fundamental restructuring of scientific-technical and investment policy.

Special notice should be made of the fact that many demands on the material balancing of the plan result from the fact that some administrators of ministries, union republics, enterprises, associations, kolkhozes and sovkhozes failed to adopt the intensive program for resource saving foreseen in the five-year plan. Individual administrators, as a rule, refer to shortcomings in the provision with resources. At the same time, they are not making any proposals on increasing the production of output, stepping up the economy campaign, and reducing losses and nonproductive expenditures. Precise work should be organized locally in the introduction of scientific and technical progress to ensure resource saving. But the draft plans for the utilization of secondary resources presented by the ministries and departments of the USSR and the councils of ministers of the union republics showed that the enterprises of a number of ministries and departments, utilizing the right foreseen by the Law of the USSR on the State Enterprise (Association), adopted these plans below the targets set forth in the five-year plan and, for many kinds of raw

materials, below the levels adopted for 1989. In this connection, the freeing of primary raw materials and supplies from their replacement through secondary materials is estimated at 13 billion rubles in 1990, which is 2.4 billion below the targets of the five-year plan. Such a situation must be corrected quickly. The national economy has significant reserves of secondary raw materials.

Since 1981, when the utilization of secondary raw materials began to be planned on a national scale, the involvement of many kinds of wastes increased by a factor of 1.5 to 2. As for the establishment of capacities for their reprocessing, however, the State Program for the Utilization of the Most Important Kinds of Secondary Raw Materials confirmed in 1986 by USSR Gosplan, USSR Gosstat and the USSR State Committee for Science and Technology is not being fulfilled. The USSR Ministry of the Chemical Industry, the USSR Ministry of Power and Electrification, the USSR Ministry of the Timber Industry and USSR Gosstat deserve special reproach in this connection. As a result, the coefficient of utilization of reserves of used petroleum products in the national economy is 70 percent, it is 15 percent for ash and ash slag, 77 percent for wood wastes, 70 percent for waste paper, etc. To increase the reprocessing of secondary raw materials, a new step is being taken that is aimed at ensuring the economic interest of enterprises. At the proposal of the Latvian SSR Council of Ministers, USSR Gosstat, USSR Gosplan and the USSR Ministry of Finance, from 1990 through 1992 payments will be collected in the Latvian SSR for unused secondary raw materials on an experimental basis. These payments will be made by enterprises located in the territory of the republic regardless of their departmental subordination. The payments are made through the cost-accounting income of the enterprises and go for the formation of a republic fund for the financing of measures in the utilization of secondary raw materials, which can be used for the establishment of capacities in the republics for the reprocessing of waste products. Preparatory work is under way for the carrying out of such an experiment in other regions of the country as well.

The reduction of losses and nonproductive expenditures has become a very major reserve for saving physical resources. Let us remember that every year the national economy loses 16 to 20 million tons of cement, more than 20 million tons of hard coal, and no less than 15 percent of the annual output of mineral fertilizers. The losses of agricultural output are quite large. The reduction of losses and elimination of nonproductive expenditures is a powerful reserve for raising the efficiency of public production that requires the lowest expenditures in comparison with their production.

For the purpose of the more active involvement of commodity stocks in the national economic turnover, a permanent working group has been established with the Interdepartmental Commission for Economy and the Rational Utilization of Physical Resources and in July

1989 a working group for the assessment and determination of causes and the development of proposals for the reduction of nonproductive expenditures and losses in the national economy was set up under the committee on matters involving legislation, legality and legal order of the USSR Supreme Soviet. In this connection, it is necessary to obtain reliable information on losses at the branch and territorial levels with an indication of the reasons for their occurrence. The data of state statistical reporting are still inadequate for these purposes. The USSR State Committee for Statistics must speed up the adoption of the necessary measures to correct the existing situation.

Such are the most acute problems of the plan for 1990. The difficulties are obvious and therefore the development of measures for a way out of the situation that has arisen in the country is attaining paramount importance. All of us need to get used to working under abrupt changing conditions. Enterprises, as a rule, always worked under the conditions of stability of resources and sales. The situation is different now. Today the enterprises need to restructure themselves because of the limitation of the volumes of domestic resources, the reduction of imports and the change in the supply and demand for output.

Additional resources will be sought in the course of the fulfillment of the plan for 1990 and when necessary individual targets will be corrected. The final balance of the plan under the new conditions of management will be achieved after the conclusion of the contract campaign through the organization and development of market relations.

USSR Gosplan will do all it can to support the practicable proposals of enterprises, ministries and departments of the USSR and the union republics based on independently sought supplementary resources.

Metallurgy can be one of the sources of the resources, including foreign exchange. It has considerable reserves and one must carefully analyze the possibilities for the further increase in the potential of the branch. It will be possible to direct the identified resources expeditiously into machine building, housing construction and exports. In the area of capital construction, the administrators of the USSR Ministry of Metallurgy and councils of ministers of the union republics need to give priority to the reconstruction and technical reequipping of branch facilities having to do with the increase in the production of efficient kinds of metal products.

Worthy of attention is the initiative of the USSR Ministry of Metallurgy and USSR Main Administration for Diamonds and Gold, which presented a proposal on the additional allocation of physical resources for capital construction through the granting of a credit from USSR Promstroybank [Industrial Construction Bank], which will be supported tangibly by means received from the export of the supplemental production of nonferrous and precious metals.

Machine building is a branch that must do more to reveal its resource, including export, possibilities. We are fully capable to going into the world market with a number of kinds of equipment on a larger scale than shown by plans. It is once again necessary to examine carefully the entire products list and to refuse to produce that which we can do without so as to issue products for export.

It is necessary to make effective use of the economic mechanism of the petroleum and gas industry, utilizing for this the special foreign-exchange stimulation of petroleum-extracting enterprises amounting to 20 percent of the foreign-exchange receipts from the production of petroleum beyond what is considered in the calculated balances so that the collectives of the enterprises, utilizing internal reserves, can increase the production of petroleum. There are also considerable reserves in other branches.

In the course of the development of the plan, USSR Gosplan sought systematically to continue to increase the pace of the social reorientation of the economy. Market allocations for building materials are increasing from 8.5 to 13 billion rubles, or a factor of 1.5, in comparison with 1989. In so doing, it is planned to increase deliveries of cement by 32 percent in 1990, wood-fiber and particle board by 20 percent, rolled ferrous metals by 57 percent, thin-walled carbon, rolled cast-iron pressure and asbestos-cement pipe by a factor of two, and petroleum asphalt by 47 percent. Much work has to be done to fill the market with the necessary assortment of lumber and building materials.

Despite the great strain in the country with respect to physical resources, USSR Gosplan is striving to follow the five-year plan resolutely with a further increase in the production potential of agriculture, the processing industry and other branches of agroindustrial production and the social reorganization of the countryside.

Now as never before the social sphere requires tremendous amounts of physical resources. For this reason, it is fundamentally important to utilize them sensibly, economically and with maximum efficiency.

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INVESTMENT, PRICES, BUDGET, FINANCE

High-Interest Bonds, Other Securities Needed To Counter Inflation

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INDUSTRIYA in Russian 26 Oct 89 p 2

[Article by B. Alekhin, candidate of economic sciences:
"Better Debt Than Inflation"]

At the first session of the USSR Supreme Soviet, Yu. Maslyukov acknowledged that the time had come to more

actively engage money from the population and enterprises by means of issuing long-term bonds under more favorable conditions. Enterprises would also be able to sell shares of stock and bonds in order to attract additional financial resources. These gratifying changes debunk the myth that "cutting coupons" is something alien to the class struggle and that socialism should, supposedly, have nothing whatsoever to do with such "cutting."

The securities market (RTsB), like any other market, is determined by demand, supply, and the price which balances them. Functioning as the net borrowers in this market are the state and enterprises, which lack sufficient revenues of their own to finance investments, whereas the net creditor is the population, which, for various reasons, saves a portion of its income. The task is to ensure the fullest and fastest flow of savings into production under conditions which satisfy all parties involved. In competing with each other on the financial market, the state and the enterprises strive to enhance the attractiveness of their own securities for the population and to offer more favorable loan conditions. In the developed countries this has created such a wide choice of forms and conditions of savings that it is difficult without the aid of specialists (brokers and investment dealers) to select and assemble a package of securities providing, at one and the same time, reliability of investments, their income-producing qualities, and liquidity (their capacity to be converted into money freely and without loss). For those savers who are still very conservative and mistrustful, there are auctions of works of art and centers for selling coins made of precious metals.

There is nothing of this kind in our country. The Soviet securities market which began to function during the years of the NEP [New Economic Policy] fell victim to the "great change." The state was transformed from a competitor in the market to a financial dictator, determining via the Ministry of Finance, Gosbank, and the Sberbank [Savings Bank] the forms and conditions of all savings, even personal ones. The system of financial dictatorship has only one alternative to saving money "under the mattress" (unless we count the alternative of investing in the "underground economy"). That is saving such money in the Sberbank. But just what do we receive from the state in exchange? And we must receive something because we have contributed labor savings and unconsumed income to the state.

In the first place, the Sberbank's "counter" is just as meager as the counter of an ordinary food store. A savings passbook, two or three types of quite unattractive certificates—that is the entire assortment. In also carrying out its function as investment dealer the Sberbank sells bonds of the state loans. But here too there is nothing to brag about. The only items being circulated at present are "shares" in the 1982 domestic lottery-loan. And why, indeed, manifest any inventiveness if we have nowhere to go except for the bank?

In the second place, the income on our labor savings is extremely low (2 percent a year on non-term deposit accounts, 3 percent on fixed-term ones, and 4 percent on youth accounts and those set up "for children"), while under the conditions of inflation, which exceeds 8 percent on a per-annum average—it is even criminally low. Throughout the entire world, with rare exceptions, the devaluation of deposit accounts because of the upsurge in commodity prices is compensated for by increasing interest rates. Otherwise, who would undertake to invest money in deposits or purchase bonds? But in our country the state has ignored inflation because it retains a monopoly on the use of savings.

In the third place, there is no standard for the financial relations between the state and rank-and-file, "retail-type" savers. In the developed countries commercial banks, by way of protecting the interests of their own depositors, very rarely offer long-term credits to companies or purchase their shares of stock, inasmuch as there is always the possibility of a massive demand for the deposits. But in our country an enormous portion of the money is taken by Gosbank from the savings banks for financing heavy industry, which operates at a loss. If we all suddenly showed up at the savings banks and demanded our deposits, billions of new rubles would have to be printed up in a hurry.

Furthermore, in other countries the bonds have on their right-hand sides several rows of coupons, the very same ones which are "clipped," i.e., are cut off and, in the form of a small booklet, transmitted to the holders (the bonds themselves have long ceased to be stored at home but are kept instead in banks for the sake of safety and convenience). Indicated on each coupon, among other things, is the interest rate on the loan and the date of its payment (usually semi-annually). There are also bonds without coupons, but this merely means that the interest is paid out in the form of a check sent through the mail. No matter what the state of the economy might be nor how "bad" the government might be, the interest is paid out in full and on time. You must agree that such is the way civilized relations should be between debtors and creditors. Moreover, the interest rates are adjusted to the amount of inflation of commodity prices; otherwise the state would not be able to finance its own expenditures. Because, after all, in developed countries it is not the issuance of money but rather loans which constitute the principal means for the non-budgetary financing of government programs.

Let's take a look now at a bond for the 1982 domestic lottery loan. There are no coupons of any kind on it, nor do we receive any checks through the mail, although it does indicate that the loan is made with an interest rate of 3 percent per annum. But where is it, then, this interest (albeit criminally low)? Yes, our interest has been "played" in the lottery; moreover, only 38 percent of the bonds go to pay off the drawings, while the remainder have been bought up at their nominal value (the 1966 loan was also a lottery type). And if, moreover, we recall what far-from economical methods were used

to handle certain loans, then we can hardly speak about the civilized nature of our financial relations with the state.

For rank-and-file savers the securities market is a way out of the financial trap into which they have been chased by the command economy. But why have the members of the government begun to speak about it? This question may be answered in a narrow as well as a broad sense. In a narrow sense, the intention to rely on the market mechanism is to be explained by the fact that the government itself has turned out to be in an extremely complex financial situation as a result of its own wasteful, squandering budgetary policy. The old system no longer allows it to extricate itself from this situation. Being under the press of a gigantic budgetary deficit, the government cannot permit itself to continue to print up billions of new rubles. Issuing currency on such a mass scale would mean rapid inflation, which, in turn, would increase social tension and people's sense of being isolated. Furthermore, increasing state revenues by means of taxing the wage fund and curtailing state expenditures by means of centralized capital investments would not save the country from its budget deficit. We have been assigned the task of cutting it approximately in half.

But just how can we live with a budget deficit without provoking an inflation and without putting a spoke in the wheel of economic growth? First of all, we need to do what many before us have done, i.e., to "hit" at the printing press by means of state loans. Switching the budget deficit from the unstable foundation of issuing currency to the firm grounds of loans would constitute an important anti-inflationary measure. Because, of course, in contrast to issuing currency, the issuance of bonds would not add a kopeck to the existing money supply and, consequently, would not devalue the ruble. It would merely shift purchasing power from the population to the state, rewarding us for this by higher incomes in subsequent years. (By the way, our budget deficit is based, to a considerable extent, on currency issuance, and, therefore, it cannot be called a state debt. When a government prints up new currency, it does not owe anyone anything). If the government begins to issue bonds at a higher interest rate which is more susceptible to inflation—and worldwide practice many methods of adjusting loans to the growth of commodity prices, then it will have no problems in seeking out money to finance investments. Not only will a considerable portion of the savings be switched over from passbook accounts and from "money-boxes" back into the hands of the state, but, I am confident that many persons will cut down on their own consumer expenditures for the sake of owning accessible and highly liquid bonds of state loans.

The government also has a substantial reason for letting enterprises stretch out on a longer financial "tether," permitting them as independent goods producers to go out into the financial market. For the sake of straightening out the budget, it has agreed to cut back centralized capital investments by 30 percent. Obviously, it is

anticipated that the enterprises will be able to compensate for this curtailment by revenues derived from selling securities, and thus no serious "braking" of the investment process will occur. All that needs to happen is that the shareholders keep track of how these funds are spent. Because, you know, the shares bring not only dividends but also the right to vote, the right to monitor the activity of the administration even so far as to replace it. You will see that instead of STK's monitored by the administration there will appear councils of directors.

In the broad sense, the intention of the government to develop operations with securities has been conditioned by the logic of perestroika. The democracy of the election district must be improved hand-in-hand with the democracy of the market, an inseparable part of which is the securities market. The rebirth of the market, to which we wish to entrust an important role in the development of our society, is not merely a saturation of the stores with goods. The market is also the free trade in producer goods and the buying and selling of manpower, as well as the free flow of financial resources from poorly operating sectors and regions into effectively operating ones, capable of paying out a higher amount of their revenues for their securities. We cannot imagine independent commodity production without an independent choice of the sources and forms of financing or without free price formation.

For decades we fought against the Western theories of "people's capitalism" and the "democratization of capitalism," attempting to belittle the importance of the fact that in the developed countries not only the bourgeois, but also millions of working people own securities. Mankind invented stocks and bonds in order to combine diverse financial resources for the purpose of solving major economic problems. The West has utilized this invention to increase labor productivity and product quality, thus transforming the workers at firms into shareholders vitally interested and motivated to achieve high end results. Why should we not follow this convincing example?

Procedures for Currency Auction Explained

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in Russian No 40, Oct 89 p 23

[Article: "Currency Auctions in USSR"]

[Text] *EKONOMICHESKAYA GAZETA* has published material related to the problem concerning the necessity of conducting currency auctions in the country as one of the conditions of increasing the personal interest of enterprises in the development of production for export and also of a gradual transition to the converted ruble. Such auctions, unthinkable for us even recently, now are beginning to become a reality under conditions of radical economic reform. Documents published here, which Gosplan SSSR, Gosbank SSSR, Minfin SSSR and Vneshekonombank SSSR prepared under supervision of Vneshekonombank SSSR Commission USSR Council of Ministers, confirm this fact.

Basic purposes of carrying out operations for buying and selling capital at currency auctions of Vneshekonombank SSSR include solution of important problems of scientific and technical progress and expansion of output of production for export and creation of additional opportunities for enterprises, associations and organizations for increasing production of goods in public demand.

Funds in foreign currency, acquired at a currency auction, are subject to the arrangement in force for the use of the own foreign currency of enterprises, associations and organizations, set according to paragraph 4 of the Council of Ministers USSR decree of 2 December 1988 No. 1405 and paragraph 29 of the Central Committee CPSU and the Council of Ministers USSR decree of March 1989 No. 231.

Vneshekonombank SSSR is not responsible for the legal capacity and the ability to pay of organizations participating in purchase and sale of funds in foreign currency.

Organization of Currency Auctions

The general supervision and responsibility for carrying out currency auctions is entrusted to an auction committee which includes representatives of Vneshekonombank SSSR, Gosplan SSSR, Gosbank SSSR and Minfin SSSR.

Sources of funds in foreign currency for sale at currency auctions are funds of currency funds of USSR state enterprises, associations and organizations, admitted for sale by the auction committee.

Capital of currency funds is understood to be capital in accounts relating to own resources and accounts not relating to own resources, opened in accordance with legislation in effect in the USSR.

The auction committee permits state enterprises, associations and organizations (except budgetary organizations) to participate in currency auctions.

Application for Participation

Enterprises, associations and organizations desiring to participate in the auction must send Vneshekonombank a properly completed application which indicates:

- complete name of the enterprise, the postal address and the surname of the associate authorized to make decisions concerning participation in the auction and his telephone number (telex);
- name and number of the interbranch turnover of the bank serving the enterprise and the enterprise's current account number in this bank;
- the total amount of currency bought (sold);
- how the purchased foreign currency will be used;

—the contractual price (and course) for which the enterprise is prepared to buy (sell) the currency and the equivalent amount in rubles, calculated according to this contract price.

The buyer's application should contain the enterprise's obligation to guarantee payment of the foreign currency acquired in the contracted course (at the price) stated in the application with an affixed copy of a draft with an annotation of the bank's payer concerning the transfer of the auction impost into the account in Vneshekonombank SSSR.

The application is signed by the director and chief accountant of the enterprise and is authenticated by the heraldic seal of the enterprise and is sent, by registered mail, to the address given in the announcement concerning the auction.

Applications received no later than 5 working days before the auction date will ensure eligibility to participate in the auction. Applications received by the auction committee after this date will not be accepted but will be returned to the sender and the participation fee will be returned to the sender's current account.

Applications for participation in currency auctions are delivered to the auction committee and the committee decides if the senders will be permitted to participate in the currency auction.

Procedure for Conducting the Auction

At the currency auction, purchaser's applications are complied with in proportion to the decrease of the contract price proposed in them, beginning with the highest and continuing sequentially until the foreign currency available is exhausted (or the initial contract price of sale is reached) or all applicants are satisfied.

In case two or more enterprises offer the same contract price and the remaining currency for sale is insufficient to satisfy all of these applicants, the auction committee will decide which applications will be satisfied on the basis of the priority of the purpose for buying the foreign currency and then on the basis of the dates of receiving the applications.

Buyers whose applications are satisfied are notified of conclusion of the transaction by the Vneshekonombank SSSR by mail or by telephone.

No later than the following working day after receipt of this notification, the buyer sends the bank servicing it a payment order for transfer, to Vneshekonombank SSSR of the equivalent, in rubles, of the foreign currency purchased, according to the contract price stated by the buyer in the application.

Upon receipt of the equivalent of these funds in rubles, Vneshekonombank SSSR includes the amount of the foreign currency sold in the current account relating to own resources of the buyer and sends a statement of the account in the time set.

The proceeds, in rubles, from the sale of foreign currency at the auction is transferred by Vneshekonombank SSSR to the seller for deduction of the commission for making the sale at the currency auction. These funds are entered into the current account of the enterprise, the seller of the foreign currency, and are placed in its industrial and social development funds.

After the currency auction, the auction committee publishes results of the auction in the press and indicates the total volume of the sale, the minimum, maximum and average contract price of the sale and the number of participants in the currency auction.

Commissions Awarded

After sale of foreign currency funds for Soviet rubles, the owners of these funds collect a commission in the amount of 1 percent of the earnings obtained but not more than 1000 rubles for each transaction.

Participants in currency auctions send, together with applications for foreign currency purchase, an auction impost of 200 rubles to Vneshekonombank.

The First Currency Auction

The committee for conducting currency auctions announces a currency auction for selling and buying foreign currency which is readily converted into Soviet rubles, on 3 November 1989.

State enterprises, associations and organizations (budgetary organizations cannot participate in the currency auction) may participate in the first currency auction.

Enterprises, associations and organizations wanting to participate in the currency auction should send two copies of the application (application forms are illustrated on this page of the newspaper) by registered mail to Moscow, Center, Moscow Post Office, Subscription Box 800, Vneshekonombank SSSR.

Applications are valid only for this auction.

Only applications received by the auction committee not later than 27 October 1989 will be accepted.

Foreign currency buyers should attach, to the application, a copy of draft with an annotation of the payer's bank concerning transfer of the auction impost of 200 rubles for the service to account No. 9044 in Vneshekonombank SSSR, Moscow (interbranch turnover No. 805012).

The amount of the currency is indicated in non-currency rubles and should be a multiple of 1000. The minimum amount of sale at the auction will be 50,000 non-currency rubles and the minimum amount of purchase will be 10,000 non-currency rubles.

Applications received for purchase of foreign currency will be satisfied within limits of the number of applications for purchase of foreign currency received in accordance with the proposed contract prices.

The amount obtained from sale of currency at the auction is not subject to taxes.

The Vneshekonombank SSSR and communication agencies are not responsible for correspondence not received by the auction committee by the specific date. In case of loss of registered letters, responsibility applies according to USSR Communications Regulations.

Call telephone number 247-42-20 if you have questions.

[Signed] Auction Committee

Cooperatives Offer Solution to Excess Money Supply

904A0028A Moscow *VECHERNYAYA MOSKVA* in Russian 12 Oct 89 p 2

[Interview with N. P. Shmelyev, doctor of economic sciences, author, and USSR People's Deputy, by N. Gromov: "The Anxiety Is Increasing, But There Is a Way Out"]

[Text] How much time do we have? Workers and deputies and economists and politicians have been asking this question in recent months. They have been asking it with more and more anxiety, seeing how more and more new economic problems are piling up and how public passions are flaring up like bonfires. It must be confessed that many have been taken by surprise by the sudden exacerbation in the country. But not everyone. Doctor of Economic Sciences N. Shmelyev warned in an interview with *VECHERNYAYA MOSKVA* back in March: the state of the economy is depressing, and urgent steps are needed to overcome the negative trends and the increasing pressure of inflation. He said at that time that we have 2 or 3 years to accomplish this.

We began the current discussion with N. P. Shmelyev, scientist, author, and USSR People's Deputy, with this question:

[Gromov] What is creating particular concern in the current situation today?

[Shmelyev] We have to go back 8 or 9 months in order to understand the situation in which we find ourselves. At that time there was an atmosphere of universal complacency in the country. The Supreme Soviet at that time, in the best traditions of the body of deputies during the stagnation, unanimously voted for an appalling absurdity—the budget with an enormous deficit which the government presented. The public did not see the danger right away. But the moods have changed appreciably since that time. However, even now the danger of the situation is not being grasped sufficiently, in my view. And this is reflected in the drafts of the plan and the budget for 1990 that have been submitted by the government.

They can be supported in principle—the suggestions which form the basis of the government's proposals are

correct, on the whole, but they are inadequate to save us from the impending catastrophe, to call things by their proper names.

[Gromov] Why?

[Shmelyev] I will explain. All these measures affect the dimensions of growth. The increase in money and demand, including payment in cash and payment by written order, and the possible increase in the commodity inflation of this money, including consumer goods and capital goods. But the main part is not affected: that mountain of money which we printed in the postwar years, especially over the past 2 or 3 years. This mountain threatens to collapse very soon.

We cannot underestimate the danger of this phenomenon which is new to us, the panic which began this year, the principal manifestation of which was the speculative demand for everything, beginning with soap and detergent and ending with gold items and furs. The market is sweeping up everything now. And in order to settle it down, we need emergency measures. No soothing promises that everything will be fine, that we are on the point of balancing the increase in money and the increase in goods as early as next year, will help at all. You will not calm the market with exhortations. Emergency "injections" are needed to put it on a normal course.

What do I consider the most serious weaknesses in the draft submitted by the government? They are trying to persuade us that everything has been balanced more or less in the area of production and material and technical supply. All right, I am prepared to believe this. But what do you wish to be done with the 150 billions—money for which goods have not been produced—which has accumulated in enterprises' accounts? This money makes any kind of serious economic reform impossible. When 150 "hot" billions are available just in the enterprises, any arguments about restructuring the economic mechanism will remain good wishes. The ruble has not been working in the production area, and it will not be working, either. But force, nagging, a party membership card, and intrigues—anything at all—will work, only not the economy.

On the whole, those who drew up the plan and the budget are guilty of excessive optimism, in my view. What is the value of the assurances from P. I. Mostovoy, the chairman of the USSR Gosplan, that the market for production and technical items for mass consumption has supposedly been balanced already and that the consumer will have no problems next year? They border on irresponsibility. But who are we deceiving? Try to buy bricks or other building materials, machinery, or various kinds of equipment the people need. All this cannot be obtained now, and we will not be able to purchase it next year, either—that is obvious.

Until the situation in the market is fundamentally changed, stimuli will not work in agriculture either, because the peasants also have nothing to buy and nowhere to spend their money. No matter what you

undertake, everything must be asked for with bows and indignities, shaken out, right up to Moscow, and bribes must be given, "like gypsies." What kind of balance can we speak about in this market? Nevertheless, the government seeks to convince us of this. Why?

The assessment of the situation in the consumer market is also optimistic beyond all measure. Well, how are we to believe that we will balance it next year if we give a 10-percent increase to commodity turnover when even the official increase in incomes is 9 percent! After all, a minimum of 5- to 6-percent inflation is apparent in this 10 percent, even to the naked eye. This means that the mountain of money that is not provided for will not only not be decreased; it will even increase.

But how will the 10-billion emission and the 60-billion budget deficit be covered? It is assumed that enterprises may cover the deficit with their loans. But what kind of guarantees are there here? I do not think there are any. Other types of payments are also being proposed, although in point of fact this is all that same printing press.

And it is not at all clear what the government intends to do about the principal danger—namely the 330 billion rubles in the public's accounts, and God alone knows how many more billions that have been hidden in socks. According to estimates, there are roughly 70 to 100 billion more. These are not the increase values. It is precisely these billions that are also producing a cancerous tumor in our economic organism. But we are trying to cut out the metastases of it somewhere on our heel. And while we are engaged in this, by not touching the main tumor, it is just about to devour the remaining healthy tissue. And we don't have 2 or 3 years left, as it seemed in the spring; it is unlikely to be more than a year.

[Gromov] So what is the way out?

[Shmelyev] There is only one way out: reduce the supply of money to the maximum extent by all means. Give the people the chance to obtain at least something for it. If the cooperatives are not smothered, they will be able to cover the entire increase in the bulk of the public's money for the next year independently. That is something. On the order of 50 billion also can be "pumped out" in this case through an increase in consumer goods production in the state sector with a turnover tax. If we decided to open a loan for future housing, we would not only be able to collect on the order of 75 to 100 billion rubles, but prevent a decline in production capacities in construction and stop the possible unemployment in this sector which threatens hundreds of thousands of people. But the main thing is to give hope to 2 to 2.5 million families that they will obtain an apartment in 5 years. Even those who are poor would find money for this—after all, every person wants to have normal housing.

Or if we had had the courage to purchase two automotive plants of the VAZ [Voiga Motor Vehicle Plant] type on credit in order to turn out an additional 2 million

vehicles per year in the future, let us say. There is nothing unreal about this suggestion—nearly all the world's current motor vehicle powers are being developed this way. This would also provide on the order of 50 billion rubles annually.

And finally, how long can we sit on the supply of gold to no purpose? Why are we holding it? In case of war? It will not be needed by us then. For a rainy day? It is doubtful whether there will be a rainier one. We have begun nibbling at it in recent years, thank God, but we haven't gotten to the great bulk of it, either. Meanwhile, it is common knowledge that the country can obtain money abroad only with a security. They do not provide it under the usual commercial conditions; our country has become an unreliable borrower. We are left with an annual interest rate of 15 to 16 percent or more. But we can offer our gold reserves as security. It is foolish to sell it: the gold market will collapse instantly, on the very next day. This has happened more than once in the world—a state offers its gold reserves as a security and obtains money for its most critical needs.

[Gromov] We cannot help but be concerned about the fate of cooperative activity. It is being accused of every mortal sin now. But is this always the case?

[Shmelyev] The simplest thing would be to reproach those who are attacking cooperatives today for their lack of logic. But that is not the way it is, you know. It is another matter that this is the logic of the Stalinist perception of reality, the logic of inverted thinking.

Cries are being heard from all sides: "Life is getting worse. Do something, at least!" But a real force capable of changing something, of plugging up the holes, of putting goods on the market, appears and we shake our fists and bring all our weight to bear on it. But after all, under the conditions of the current breakdown of the consumer market, the cooperative sector could cover nearly the entire increase in incomes in the country.

I hear the statement that there is a lot of scum in the cooperative movement. But is there less in state trading, public catering, and the services field? But we have become accustomed to it, we have resigned ourselves to it. Does this mean that Rashidov gets his shashlik from God, but the one who sells shashlik gets it from the devil?

They are also saying that cooperative members "are earning too much." And everything is turned upside down here: they do not earn a lot, but the worker in state enterprises earns little. In accordance with the current level of labor productivity (if we look at other countries), our worker should earn 500 to 600 rubles per month. This is just what a cooperative member earns, on the average. But if it is taken into account that labor productivity in cooperatives is twice as high, the cooperative members are earning a little, not a lot.

L. Abalkin is right: we are looking for someone to blame because nothing turns out. We need the image of an enemy we can blame for everything. Now there is one. It

is the cooperative members who, by providing for less than 2 percent of the country's commodity turnover, should answer for the collapse of the entire economy for some reason. What is more, there are the economists (who had nothing to do with such stupid things as the anti-alcohol campaign, for example, the Law on Unearned Incomes, and the gigantic state budget deficit, of course).

The course of the debate at the USSR Supreme Soviet session related to cooperatives means to me that "sitting on two chairs" has come to an end. By introducing draft amendments to the Law on Cooperatives and drafts of a law on property and on taxes, and by proposing at the same time a new (taxation) method of holding wages in check, the government is following a path of cutting back the cooperative movement whose development it fostered itself, in my view.

It is sad... What do we want, to bring ourselves to complete economic paralysis or to recover? And what do we intend to be guided by henceforth? Common sense and economic competence, or emotions, envy, and an uncontrolled striving to destroy and ruin whatever comes to mind?

I am thinking about the recent trade union meeting in the Luzhniki. Why are they forcing up passions?

In any case, you cannot call these actions constructive by any means. But after all, this concerns the interests of ordinary people and a healthy economy... I fear that these problems have proved to be too difficult for the trade unions. And they are blaming the cooperatives for all our troubles. Instead of protecting the interests of the working people who have been put into the hands of economic administrators and studying the causes which lead to strikes, they are hastily trying to find someone to vent their anger on and to blow off steam. It looks as if they don't know what they are doing. But we are the ones who must be fully aware of this. A retreat, a return to the rusted rails of the administrative-distributive system, which is what they are calling for essentially—this is not simply putting the switches in the previous direction, it is directing the country into a dead end, toward an economic and social catastrophe.

We can still avoid this; there is still time.

INDUSTRIAL DEVELOPMENT, PERFORMANCE

Consumer Goods Production from Ministry of Defense

90UM0083B Moscow SOVETSKAYA KULTURA in Russian 5 Oct 89 p 2

[Interview with Army Gen V.M. Arkhipov, deputy USSR minister of defense and chief of rear service of the USSR Armed Forces, by Vil. Niyazmatov, Moscow, under the rubric "An Important Interview": "Military Plants—Civilian Goods"]

[Text] The inter-republic consumer goods wholesale fair has ended in Moscow. The USSR Ministry of Defense was among the ministries and departments offering their products there. This was the subject of an interview with Army Gen V.M. Arkhipov, deputy USSR minister of defense and chief of rear services of the USSR Armed Forces, by our correspondent.

[Niyazmatov] Vladimir Mikahaylovich, the Armed Forces and consumer goods. Does this not seem like a strange connection at first?

[Arkhipov] It would indeed have appeared extremely unnatural two years or so ago. Our ministry's enterprises had only thoroughly departmental assignments. Clearly recognizing the situation in the nation, however, we are more and more vigorously engaging in providing the nation's population with quality goods. For this purpose we thoroughly studied all of the capabilities of our enterprises and compiled a specific list of goods which could be sold in the state trade sector. Last year we produced 80 million rubles' worth of these commodities, but that is only the beginning.

[Niyazmatov] What do your department's enterprises produce today?

[Arkhipov] The list is a long one. Suffice it to say, that the list of goods for 1988 contained around 1,000 items. I shall name a few of them: various household goods and dishes, all sorts of locks, hardware, gardening tools and accessories, radio equipment, electrical household goods, prefabricated garden sheds, construction materials, various knitwear and woolen items, footwear, office supplies.... In short, that which is in great demand today.

[Niyazmatov] How is the production of these goods distributed among the military districts? What guidelines does a certain district follow, for example, in planning the production of thoroughly "civilian" goods at military enterprises? Have they taken into account consumer demand and the needs of the population?

[Arkhipov] The distribution of production was not made "blindly," of course, and certainly was not dictated in orders. The work was coordinated with the local soviets in all the districts. Representatives of the rayon and city executive committees and oblast soviets of people's deputies visited our enterprises, where they specifically discussed what the given region needed most. Stable "specialization" has now been specified for the production of goods at enterprises of specific districts. In the Far East and the Transcaucasus, for example, they set up production of fur items and concluded agreements on their delivery to the trade system. Upholstered furniture is produced at a ship repair plant in the Baltic. Our enterprises in the Baltic area have set up the production of all sorts of dishes, an auto repair plant in Zaporozhye delivers trailers for passenger cars to the trade system, and a construction combine in Kaliningrad (Moscow Oblast) provides the population with various lumber products. At the request of the local soviets in the

Turkestan District, we are producing the special hoes used in the region, shovels, handcarts and wheelbarrows.

Popular items include children's toys, hammocks, sporting goods, plumbing supplies, bicycles.... In short, our enterprises will produce 160 million rubles' worth of consumer goods this year. The figure will almost double, to 300 million rubles, next year. Incidentally, I recently visited our enterprises in the Ukraine, in Novgorod and Pskov oblasts and in the Baltic region, where we reached agreement with local authorities on the list of items to be produced in the future.

This consumer goods fair was of great benefit to us. We not only showed our products to others, but, most important, we had an opportunity to see what the enterprises of various ministries and departments are producing. It is important, after all, that there be no unneeded duplication. We also concluded a number of agreements on cooperation at the fair. For example, we are to be provided with raw materials, in exchange for which we shall provide finished products.

[Niyazmatov] Will the production of consumer goods not affect the fulfillment of purely defense plans?

[Arkhipov] We are performing this work without detriment to our main function. It is important to note first of all that we are producing all of the products to be sold through the trade system by economizing, seeking additional material and financial means and utilizing secondary resources. We have also begun building up enterprise capacities and have converted many of them to a double-shift operation. Labor productivity, too, is being increased by making extensive use of material and moral incentives. For example, we permit the workers at our enterprises to purchase the products they produce with cash. We see the enlistment of the wives of officers and warrant officers in the production of consumer goods as another source of manpower. We arrange for them to work at home, particularly on the production of sewn goods, as well as other items.

Kharkov Tank Plant Lags in Civilian Production

90UM0074A Moscow IZVESTIYA in Russian
19 Oct 89 Morning Edition p 2

[Article by IZVESTIYA Correspondent A. Kleba, Kharkov: "The Tank Plant is Spinning its Wheels and the Market is Waiting for Goods from the Military Plant"]

[Text] The plant imeni Malyshev is the cradle of the T-34 and a modern Soviet army tank plant. General Director V. Pivovarov, speaking at an oblast party conference, admitted that the giant had reduced its volume of output of nonfood consumer items. IZH-YU-5 motors, tents, clothes trees, small balcony tables, "Magnetic Letters and Numbers" games, food storage trays... They had planned to develop six new items in 1989.

At the present time, the association has begun fulfilling the task on designing and developing equipment for processing sectors.

I recently visited the association's Dergachevskiy affiliate where IZH-Yupiter motors and motorcycles and the magnetic letters are produced. A letter from workers and engineers brought me there. They wrote that the collective is working a third below its capabilities. The leaders of the production association treat them like stepchildren.

The affiliate's collective wants to achieve self-reliance, but the association "needs an indicator" of consumer goods output and is therefore putting obstacles in the affiliate's way.

They just announced a conversion policy. But even today there are no substantive changes: The tank manufacturing giant remains indebted to the country. V. Raduto, director of the Soyuzpromvnedreniye zonal affiliate, said:

"The plant imeni Malyshev continues to reduce its output of consumer goods. For incomprehensible reasons, production of cast aluminum cookware which enjoys enormous demand both here and among our foreign partners has ceased at our plant. During the next five-year plan, we intend to produce 50,000 multi-purpose four-wheeled all-terrain motorcycles. They will replace the small trucks and tractors, circular saws and well pumps...." But what is keeping the plant, which has sharply reduced tank output, from already producing the all-terrain vehicle during the current five-year plan?

Here it is appropriate to reveal one more of the Malyshev plant workers' "military secrets." Last September, the designers received the task to develop dough-rolling equipment for major public catering centers. The path from the drawing board to the first prototypes took seven months. The equipment cuts up to a 130-kilogram batch of noodles or various kinds of rolls per shift. But... there is only one model left right now.

Why is the tank manufacturing giant delaying production of needed goods? The issue remains unresolved of using powerful all-terrain prime movers capable of operating under extreme conditions and of transporting 12-20 ton cargoes. Kharkov bulldozers [tyagachi] can overcome all types of barriers, build roads through rock and taiga, and dig foundation pits up to 3.5 meters deep in permafrost ground. This entire arsenal is frozen and waiting for the association's leaders to find out where they need to look for consumers of powerful equipment.

The situation which has taken shape at the plant imeni Malyshev reflects the attitude that Kharkov's other defense enterprises also have toward conversion. Thus, the radio electronics plant is not hurrying to produce dual-cassette stereo tape recorders, high class "com-bines," modern portable color televisions, video recorders, computers, and radio-controlled toys. Here it

is hoped that the word "conversion" was found accidentally. However, the time to work only on military orders has passed; it is now time to work for the welfare of the population.

Consumer Goods Production More Profitable than Defense

90UM0074B Moscow KRASNAYA ZVEZDA in Russian 26 Oct 89 First Edition p 2

[Unattributed Article: "A Shortage of Sailors' Striped Vests"]

[Text] The USSR Ministry of Light Industry has examined the issues touched upon in Captain 2d Rank Lukanin's correspondence published in the August 25, 1989 issue of KRASNAYA ZVEZDA under the same title.

E. Razumeyev, deputy minister, reports that the main cause for not fulfilling the USSR Ministry of Defense's special delivery are the items' return on investment and their low profit margin (up to 3 percent) in comparison with production of consumer goods (up to 30 percent).

Equipment retail price lists have been developed and approved with the USSR Ministry of Defense which provide for a 20 percent increase in profitability for the purposes of interesting the sector's enterprises in producing items specially designated by the USSR Ministry of Light Industry. The time period for introduction of the new price lists will be determined through an appropriate government decision.

Furthermore, disruptions in deliveries of certain assortments of clothing items have occurred which were caused by raw materials supply problems and the closure of a number of USSR MVD institutions that manufacture clothing items in accordance with agreements with the RSFSR Ministry of Light Industry.

USSR Ministry of Light Industry and union republic ministries of light industries carry out constant monitoring of timely fulfillment of special item deliveries. Thus, at a meeting of the board of the RSFSR Ministry of Light Industry, the causes of unsatisfactory work at Vladivostok Industrial-Trade Clothing Association were discussed. The Association is currently taking steps to insure fulfillment of the state order for 1989.

Delivery plans have been carried out in accordance with the established task for the 9 months of 1989 by the clothing knitwear sailors' striped vest factory and the Uzbek SSR Ministry of Light Industry for soldier's box-calf boots.

Success of Conversion at All-Union Aviation Materials Institute

90UM0074C Moscow VECHERNYAYA MOSKVA in Russian 5 Sep 89 p 2

[Article by V. Savelev: "Defense Industry to the Consumer: VIAM [All-Union Scientific Research Institute of Aviation Materials] Invites You To Shave"]

[Text] As far as we know, no one has ever succeeded in shaving with a brick. But, it looks like conversion is approaching this historic event. In any case, I saw an experimental model of a razor blade made of clay: A milk-colored ceramic weightlessly lay in the palm of my hand. This razor blade is the eternal embodiment of a dream of our men who are compelled to painfully scrape their cheeks with dull steel. Just where did this miracle appear?

Among the reactions to the news articles "Composite" and "Butcher with a 'Space-age' Knife" (VECHERNYAYA MOSKVA 20 July 1989) from NPO [Scientific Production Association], there was an invitation to one more "well known in narrow spheres" scientific center: VIAM, the All-Union Scientific Research Institute of Aviation Materials. The technology for the "eternal shaver" was developed right here. This is only one example of how unique scientific achievements will be placed into service for our future needs. But before I talk about the successes of conversion, I must say several words about VIAM itself.

This institute will soon be 60 years old. It was "split off" from TsAGI [Central Institute of Aerodynamics imeni N.Ye. Chukovskiy] in 1932 in order to concentrate on development of materials for aviation, and later also for space technology and materials. I cannot list all of the technologies and materials which were born in its laboratories and transferred to aircraft.

Currently, the institute is a powerful scientific production association. The range of its research is from non-combustible cloth for aircraft seats to super-modern alloys and composites. But nonetheless, the signs of the times are not only these undoubtedly first class achievements. They existed even before now. But right now it is as if VIAM is coming out of a shadow and is completing the breakthrough to the mass consumer.

It is no accident that guests have been visiting here more frequently of late. The institute and enterprises of seven ministries have developed a program for utilizing the institute's latest scientific and technological achievements within the framework of conversion. Financing for just the first year totals 40 million rubles.

"We ourselves are investing enormous resources into conversion," says Ye. Kachanov, first deputy general director. "The market is presenting its demands. It is difficult to adapt to them. Here is one of the most difficult tasks: Reduce the costs of new materials without worsening their characteristics. Additional tests of suitability for their 'peaceful' uses are also required."

Conversion is a difficult and complicated process and it does not fit into a simple antithesis: Before cannons, now toys. It is absurd to transition from missiles to meat grinders. An enormous intellectual and technical potential that has been accumulated in the military industrial complex for decades is being impermissibly squandered and changed over to knickknacks. It is bad when under the slogan of "more consumer goods" defense enterprises are being forced under administrative pressure to take up the first thing to come along and not utilize a hundredth of their capabilities. They are capable of the most complex scientific production.

Manufacturing sports planes is not a new direction but it is now getting a lot of attention. The SU-26 aircraft, which has brilliantly demonstrated itself in the sky of Tushin, is manufactured from light weight and very durable carbon plastic. It is capable of withstanding 12 G loads, more than any fighter aircraft. Thanks to the outstanding qualities of the new aircraft, our pilots gathered 10 of 11 gold medals at the last European Championship.

The Letuva and Nida gliders and the Nyamunas powered glider are also manufactured from carbon plastic. The main thing is that these aircraft are competitive. This is the best characteristic of any consumer goods. You agree that not many of our items are now worthy of it. Here the aircraft builders are also ready to help their neighbors in the machine tool complex—the vehicle manufacturers. How many problems they have with materials! body, chassis, and spring corrosion.... VIAM together with the Minsk and Gorky auto plants and ZIL have begun to combat it. A practically "eternal" composite material has been developed for automobiles and it is light, durable, and high-technology. I saw a Moskvich hood made of this material, a cast aluminum alloy, at an institute exhibition. One-piece wheels are made from this material instead of being welded.

The institute's developments also found an application in the food and light industries. The same ceramic filters [are used] for ultrafine juice straining. Or a ribbon-foil for a loom. The use of carbon plastic made it several times lighter. Just thanks to this, production capacity was doubled and noise was reduced by a factor of two. We are also saving hard currency that was previously used to acquire foils abroad.

The range of conversion is unusually broad. The wastes from composite production are also being used for manufacturing skates. VIAM's speed during this period of time is less than that of their colleagues from Kompozit. But there is a long road ahead.

"What is keeping us from moving more rapidly?" Ye. Kachanov asks again. "The situation at the institute is generally typical for VPK [Military Industrial Complex]: Almost 100 percent state order. This undoubtedly constrains self-reliance in the search and selection of partners and customers."

Not everything has been put in order by the recently adopted amendments to the Law on State Enterprises. They stimulate the output of goods, that is, the end product. But here we have components. How can that be? VIAM and other enterprises and institutes that do not work directly at the market lose the stimulus to carry out conversion. Moreover, it is becoming profitable to restrain growth to a level of three percent below which taxes do not "shave off" profits. Or did the legislators not take this into account?

Yes, it is difficult to transfer the former "boxes" to the peaceful track. There are the razor blades themselves. The idea is really marvelous and there is nothing like it in the world. But meanwhile VIAM has not provided any more samples. Who would support it?

Results of Minlegpishchemash Transfer to Defense Sector Analyzed

90UM0074D Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 22 Oct 89 p 1

[Article by SOTSIALISTICHESKAYA INDUSTRIYA Special Correspondent L. Pertsevaya: "Economics of Disarmament: The Market Cannot Tolerate Orders"]

[Text] Our land produces more than enough of every product and stores are empty only because transport, storage, and processing losses are too high. This is an axiom which no one any longer doubts. Let us get the processing sector straightened out and everything will be in order.

During the stagnant times, this action would have begun in accordance with appropriate resolutions and would have ended with them. And the efficiency measure of transferring all USSR Minlegpishchemash [Ministry of Light Food Processing Machine Building Industry] enterprises to the defense industry complex was stipulated in the transition-perestroika resolution of 1987. There, they said, the military has strict execution discipline and they are not lazy, they will do it. Once again there are no reform innovations nor cooperators—leaseholders, no shareholders, no markets or bazaars that can balance the socialist economy just like in the good old times when orders still worked.

In short, society was justified in counting on an active assault of the problems and rapid results.

I am not saying that the defense industry complex immediately exerted itself to the extreme. And today, a year and a half later, former Minlegpishchemash plants produce 85 percent of the food industry's equipment. But nevertheless, 134 design bureaus and design institutes and 176 enterprises which previously worked exclusively on military equipment were tasked with this work. As a result, they succeeded in producing almost 1.3 billion rubles of various equipment and production lines for processing agricultural products. Is that a lot or a little? According to the memories of food industry experts, it is a small stream that momentarily quenches

the inexhaustible thirst of the desert. Yes and it was repeatedly emphasized at a meeting of the State Commission of the USSR Council of Ministers on Military Industrial Issues that if it is oriented on the national economy's requirements, almost nothing has been done thus far. They stated the numbers: of 585 nomenclatures of new equipment, they planned on producing 120 types but succeeded in producing only 23. Only 12 percent meet the world [quality] level.

It is clear that customers are not happy with the new chiefs. They showed me the first Lastochka, a vacuum mixer with forming equipment dashed out from the Ministry of Defense Production, in the sausage shop of the Kharkov Meat Combine. The metal skin of this line is made in the USSR and all of the electronics are imported. Accordingly, the packaging material, film, and paper must also be bought abroad and we have to look for spare parts in the FRG or Sweden. Naturally, the manufacturer is not assuming responsibility for its brainchild during the warranty period. The equipment costs 120,000 rubles which is almost ten times more than a similar old one.

Alas, many defense complex plants are trying to increase prices of equipment for the "civilian sector" to the level of "firing irons" and prices for 27 types of food processing equipment have increased by a factor of 10. But imagine, for example, how long it will take to pay off a bird carcass packaging line if it costs 232,000 rubles! Thus a weighty monetary wave of 1.3 billion rubles is not quite so weighty in its natural replenishment in units. For some reason, food industry enterprises are being renewed so slowly and only 60 of 274 start-up facilities have been equipped with machinery this year.

We can suggest that the defense ministries have spent the past one and a half years on the take-off runway; They have rebuilt the base, prepared draft documentation, and have studied demand in our country and the latest achievements abroad. But all of the speeches at the aforementioned meeting of the Commission on Military Industrial Issues are also proof that the defense industry is only opening these issues for itself.

I cite Minister of the USSR Defense Industry B. Belousov's speech. He stated that the 10 Minlegpishchemash enterprises given to Minoboronprom [Ministry of the Defense Industry] need to be re-equipped and accumulated social issues need to be resolved. They need to study the agricultural production processors regional requirements for the appropriate equipment. They are continually totaling savings for equipment deliveries to civilian sector plants and it turns out that it is impossible to get by without cooperating with them...

Defense industry complex enterprise ministers, directors, and designers got up on the speaker's dais and set forth ever new reasons which are delaying them from beginning production. O. Shishkin, Minister of General Machine Building, admitted he had discussed the problems of manufacturing equipment for the food industry

11 times at the collegium! He managed to complete the plan in the monetary expression but the expectations of many customers will be disappointed. They have only produced 9 of the 57 types of new equipment. The prices to purchasers are excessively high. Instead of technologically closed lines, they are only getting their elements with productivity limited by manual labor (for example, bakeries without dough machines). Do you know how the defense industry reacts to customer complaints about high prices? They are ready to punish "capricious" native consumers and to search abroad for customers for their output. I think that commentary is superfluous.

Thus, a year and a half has gone by just for recognition of the problems. How much time will the process of organizing and setting up production itself take?

The defense industry is thinking solidly and basically and the realization of their proposals will take quite a long time. The appropriate institutes from the civilian sphere—milk, meat, potato, and others, that develop technology for processing these products need to follow on the heels of the Minlegpishchemash enterprises. We need to organize an information coordinating system that will concentrate all developments that already have native and foreign examples of equipment that process agricultural products. All civilian sector enterprises need to "get into their heads" the appropriate components in the state order and strictly demand its fulfillment. And the main thing is to "set forth the case so that it is beneficial for us to manufacture this equipment."

In short, They are thinking of establishing a closed production system that could operate on total self-servicing and like a monopoly with a guarantee of a well paid rhythmic order and easy sales. Thus, the defense industrial complex is accustomed to operating as the strictest sector of our state economy. So that each plant can conduct its business independently, in an enterprising manner, with careful accounting, under conditions of competition, and the sector as a whole can be centralized and guaranteed in a measured, progressive march.

I can imagine how the impatient reader will exclaim: "Well, that is just great! The defense industry succeeded in insuring a high level of equipment to the Army for all those years and with solid deliveries, now let it serve the people."

It succeeded. Due to its special position in raw materials supply, immeasurable and incalculable financing, priority equipment deliveries, and provision of the best personnel. In other words, due to unconditional dependence and existence under exclusive conditions. And the fact that it operates under exclusive conditions can hardly become an ordinary daily routine. We have decided to produce both consumer goods, equipment for light and food industries, and sales equipment at the expense of the defense industry... We are going to paint all transport vehicles fire engine red and we are going to

give them all access to the green lane [translator's note: high speed commuter lane]. A traffic jam is unavoidable!

However, let us return to the Oval Hall of the USSR Council of Ministers where the high commission met. In 1990, nearly all ministries of the defense industry complex plan to double output of vitally important equipment and the defense industry as a whole will make almost 42 percent of all equipment and processing lines for the food industry. A decision has been made that a special commission will track price formation. Yet one more special agency will compile a list of equipment coming in from the "civilian sector" and will monitor the flow of deliveries. All through a centralized system. And insofar as there are already disruptions in carrying out these proposals, enlisting the aid of defense industry enterprise party committees and reinforcing orders with slogans and organizational work is recommended.

Familiar methods and levers tested by life. It is true that the entire economic complex is renouncing them today, these unreliable ones that have frequently resulted in and led us toward the present crisis. Economic reform is beginning to gain speed and one after another sectors are getting out of the strict administrative command system: Concerns, leased enterprises, and cooperatives... And we are artificially attempting to maintain the most important sectors of the economy in this system. Is this justifiable?

Conversion: Defense/Civilian Joint Stock Groups Proposed

90UM0021A Moscow MOSKOVSKAYA PRAVDA in Russian 6 Sep 89 p 1

[Article by A. Kusov, candidate of engineering: "Stocks for Conversion"]

[Text] The peaceful initiatives of the Soviet state, and the formation of new political thinking quite logically involve beneficial economic consequences. It is necessary to make able use of the situation. In the interests of society, the funds freed from expenditures for defense are to turn into real income and raise the level of well-being.

In 1988, a substantial quantity of consumer durables, for example, approximately 10 million television sets, 95 percent of all the Soviet-made refrigerators, 62 percent of the washing machines, and 69 percent of the vacuum cleaners, were produced in enterprises of defense branches of the country's industry.

Recently, the production of equipment for the fruit and vegetable, starch hydrolysis, macaroni and preserve industries has been given to Minaviaprom [Ministry of the Aviation Industry]; the production of assemblies and flow lines for processing of cattle and poultry, ice cream production, and the manufacture of metal can packaging to Minoboronprom [Ministry of the Defense Industry]; the development of equipment for milk processing to Minatomprom [Ministry of the Nuclear Power

Industry]; and the production of equipment for the bakery products, sugar, pastry, yeast, and vegetable oil and fat industries to Minobshchemash [Ministry of General Machine Building]. Video tapes, laser disk players, and other electronics equipment comprise a substantial share in the production of new consumer goods by defense industry branches.

Moscow enterprises are faced with having to assimilate much of the above enumerated production, and those which are already engaged in manufacturing technical products of a non-defense nature for consumer goods must expand their production. But, as the saying goes, soon the tale will be told. You see, conversion is fraught with the need to carry out major organizational and technical measures, requiring substantial capital investments and time. Products that are economically advantageous to the defense enterprises are often unable to find consumers in Moscow, or to correspond to the actual needs of the city. What can be done here?

In my view, it seems advisable to create city joint stock societies, which unite the interests of enterprises in the defense and non-defense branches of industry, to accelerate and reduce the cost of the conversion processes. Profits from the sale of the product will be distributed in proportion to the contribution to the final product, and each enterprise can be a shareholder in several stock societies, involved with goods of different kinds.

Then enterprises producing, for example, electronic circuits, elements of cryogenic equipment, or microelectronic motors, will become not passive suppliers of parts, but active participants in the production of the end product, and interested in its sale in the city. Needless to say, this work must be appropriately stimulated by the Moscow City Ispolkom.

Scientific research institutes and design bureaus of defense branches, included in such societies as stockholders, will also be interested in maximum use of the capability of related branches, which are looking for and developing new consumer goods, and entirely civilian technological equipment. This promises them allowances from the sale of goods in the city.

The creation of joint stock societies may take place on the basis of a unique auction of the guaranteed long term needs of the capital for one or another product. In this case, it is not excluded that various joint stock societies will take up the production of competing models of goods. What if they do? Economic competition should only be welcomed. It is another matter that the city must not stimulate their total production (leading to delivery outside the Moscow region).

In a number of cases, enterprises of the city economy or non-defense branches, and in other cases defense industry branches, may act in the lead capacity in joint stock societies. Leadership would depend on the stock contribution, which is determined by functional and cost analysis of the production. In short, the most varied possibilities exist.

The sphere of activity of joint stock societies is determined by the actual tasks of the social and economic development of the city. This includes support for the implementation of the Comprehensive Program for Production of Consumer Goods in Moscow for the 19th Five Year Plan and until the Year 2000. In particular, I recall that it is anticipated that for 1990 the production of refrigerators will be increased to 295,000; that of radio receivers to 650,000; tape recorders to 285,000; television sets to 1,105,000 (including 725,000 color sets); washing machines to 310,000; furniture to the amount of up to 315 million rubles; enameled steel dishes up to 900 tons; games and New Year's tree decorations to the amount of up to 290 million rubles; and garden tools and implements to the amount of 26 million rubles. Taking into account that the program includes improving everyday electronic apparatuses, on the basis of using the latest achievements of microelectronics, organizing the series production of miniature stereophonic tape recorders, new generation color television sets with flat screens and stereophonic sound accompaniment, and many other things, the participation of enterprises in the defense branches of industry is becoming a most important factor in its realization.

The state, the city, and enterprises of all branches, I believe, are interested in the creation and functioning of joint stock societies. How is this beneficial to the state? The production of consumer goods and other non-defense products will be organized quickly without substantial capital investments. Why must the city not stay on the sidelines? It provides for the output of products that are acutely needed by the population and the city economy.

The interests of the enterprises are that, owing to cooperation in production at specialized factories, the profitability of the end product will be higher than if it were produced in a single, non-specialized factory. Consequently, all stockholders will also receive higher profits.

The interests of the ministries and departments will not be set aside. Participation of their enterprises in joint stock societies will raise the share of consumer goods, as it is said, in the branch slice.

Joint stock societies can play an important role in implementation of "Progress-95," the comprehensive territorial-branch program for intensification of the social and economic development of the city, since output of products needed by the city is being achieved essentially by carrying out organizational measures, with minimal additional expenditures. I believe that from discussions about conversion and plans for its implementation, it is time to shift to action. Moscow residents, combining efforts regardless of departmental subordination, can and must set the example in this respect. And so, who is first?

Conversion Creates Problems at Leningrad Shipyards

90UM0021B Leningrad *LENINGRADSKAYA PRAVDA*
in Russian 8 Sep 89 p 2

[Article by correspondents V. Ganshin and L. Frolov:
"Difficult Steps of Conversion"]

[Text] A building slip at which the din of metal is not heard, the flame of the electric welder is not seen—this rarely happens. Nevertheless, this picture can be observed on the Leningrad wharves. What happened?

Nothing has changed in the name of the Admiralteyskiy Association; however, this mighty shipbuilding firm, to use navy language, i.e. sharply changing course. And not by its own choice. In the postwar decades several generations of great professionals were formed, who were equal to any task. And now, all at once, this is not so.

Many orders, which determine the prospects of the enterprise, one could say, until the end of the century, have been cancelled! This is true even though the laying down of these ships even took place, and orders were placed at other enterprises throughout the country for components; however, matters went no further. On the captain's bridge of the association is an understandable confusion. No, the Admiralteyskiy workers will not remain without work, but so many problems have arisen: what to do with half-built ships, how to settle accounts with subcontractor enterprises, what to do to retain their unique cadres?

What is the reason for this situation? That can be answered in one word—conversion. The Ministry of the Shipbuilding Industry has been given the mission to assimilate output of more than 900 types of new products. These include mechanized flow lines for the production of dry animal feeds and various foodstuffs, and packing assemblies. Other branches of industry have also received extensive tasks for output of non-military products, since production of weapons and military equipment is being reduced by 19.5 percent. Factories that have long worked on defense needs are becoming suppliers of equipment for the agro-industrial complex, light industry, trade, and public catering bodies. Output of consumer goods and medical equipment will be considerable.

The Admiralteyskiy workers are called upon to make an important contribution to this process. Under the new conditions, they are faced with undergoing a test of their stability. The fate of a number of ships, which have already taken on clear contours, has been decided. They will never traverse the sea lanes. Notifications obtained from purchasers were terse and specific: financing is ceasing. This was thunder out of a clear blue sky. Its "echo" is even now rolling about the shops, disrupting the customary working rhythm, and causing stresses in the brigades and sections. In general, a tangle of problems was formed unexpectedly, and their solutions have

not yet been found. An outflow of cadres began; invaluable specialists are leaving. The prestige of the association, which has built a multitude of ships of the most varied types and tonnages, is falling.

Having unleashed conversion, the shipbuilders were also confronted with another serious factor: how to find an equilibrium between the already partially displaced production and a new specialization, in no way associated with the building of ships.

The Leningrad workers were assigned, one might say in the fashion of a fire brigade, to begin series production of equipment for elevators and flour mills. We saw models of the new products; they are rather complex and labor intensive to manufacture. The Admiralteyskiy workers had no time for vacillation—it is necessary to deliver up to 50 such assemblies monthly. A completely unusual situation arose. An enterprise that had always produced "one-time" products—ships—was told to assimilate series output of mass machinebuilding production.

The shipbuilders, of course, are not against the reorientation to civilian products. Everyone with whom we spoke on the wharves was unanimous: it is a necessary and important matter, but it requires serious preparation, and we must not "turn around" by 180 degrees, while underway, production that took shape over decades, break the ties that have been set up, and destroy the technological rhythm.

"How are we to 'stay afloat' just the same, in this unbelievably complex situation? I will tell you frankly, only due to the overtime and material supplementation of those who began to work on the new products," states I. Litonov, association party committee secretary. "In a few days people cannot be retaught, new ones cannot be obtained, and this means that yesterday's slipway workers, for example, must transition to a shop. And this already involves a conflict. The fact is that the wage rates of workers employed directly in shipbuilding are 10 percent higher than those of persons working on machinebuilding orders. And then, the majority are confronting for the first time products not in our profile, and, therefore output falls and wages are reduced correspondingly. At the end of the month, it is necessary to seek out additional sums to pay overtime workers."

In this situation, the party committee must play an important role. Of course, the loss of wages is a painful matter, especially in the first stage of conversion. But, it is necessary that people understand that we are implementing our peace policy, not merely in words, but in deed. We affirm its principles not only at meetings, but in the factory shops, laboratories and design bureaus. Therefore, we are all conduits of conversion.

There is no dispute; someone must take the first steps. But, they must be well thought out, analyzed, and adjusted. It would be advisable, probably, to organize a specialized shop, which would have the appropriate equipment and accessories, for today the manufacture of

components and units for flour mill assemblies is scattered in various sections, and often is semi-homemade in nature. As a result, parts wander from shop to shop, and there are no well set up technological chains for intra-factory ties. Part of the collective, apparently, should be fully oriented on the new type of state order. It is no less important to eliminate the gap in wages between the defense workers and their comrades who have "taken off the shoulder boards."

And it is most important, in solving the problems of conversion, to effectively redesign and refit the old plants. As it is picking up speed, the shipworkers have been forced to adjust substantially the quite recently approved shipbuilding program. The construction of fish industry bases and tankers is coming to the forefront. Output of consumer goods is being significantly expanded. The annual volume of their sale will exceed 15 million rubles.

The problems of the Admiralteyskiy workers are also quite familiar to other related enterprises in the city. Not long ago it was hard to imagine that the brand name of the famous shipbuilding association, Baltiyskiy Zavod, would appear on food kettles and machines for producing sausage, or that the Severnaya Verf factory had begun to produce products for the agrarian sector. And each of these collectives is experiencing similar difficulties, and the painful transition to the new tracks.

Conversion: Policy of Scrapping Armored Vehicles Questioned

90UM0078A Moscow KRASNAYA ZVEZDA in Russian
31 Oct 89 First Edition p 2

[Article by Captain A. Ostrovskiy: "Tanks Into Fittings?"]

[Text] I wandered around the shops of the Enakievskiy Metallurgical Works feeling both pride and anxiety. After his discharge into the reserves, my father, a combat veteran, worked here many years. My brother got his first job here.

My father told me that immediately after the Great Patriotic War the blast furnaces were not "fed" with ore, but with scrap metal from dismantled cannons, combat vehicles, and other equipment. Now the factory is one of the country's first to be connected with the conversion of military production—it has begun melting down tanks.

But the factory workers do not understand why it is this way: The high-quality alloy armor will go into the production of construction fittings, I-beams, and angle pieces? As though the usual "crude" scrap were not good enough for that. And the price for the steel from the tanks is set at only 30 rubles per ton—hardly enough, probably, to cover the delivery costs borne by the Ministry of Defense.

"Maybe it would be better to convert the tanks into tractors and sell them on the national economy," said A.

Nikitchenko, chief of the impact machine workshop at the EMZ [Enakievskiy Metallurgical Works], sharing his doubts. "Even with the uneconomical engine they could be used for some sort of mobile work. Say, for cleaning up after natural disasters or putting out forest fires... I am sure that our factory would also purchase equipment with such excellent running gear."

The opinion of the metallurgical engineer was seconded by Lieutenant Colonel N. Demchenko, who had arrived at the factory with equipment: "This type of combat equipment could serve as a tractor in the North. It has been well protected against corrosion, and it runs like a clock in temperatures below zero..."

The factory has concluded an agreement with the Ministry of Defense to scrap 400 tanks. So that the landing of the impact machine shop, where the brigades of cutters do their work, does not become overstocked, the tanks will be delivered in monthly batches of 30. Dozens of tanks have been melted down. Is there perhaps some sense in stopping and finding a wiser use for the metal?

Motor Vehicle Repair Enterprise Producing Furniture

90UM0031A Moscow KRASNAYA ZVEZDA in Russian
10 Oct 89 First Edition p 2

[Article by Reserve Colonel F. Semyanovskiy, Moscow Military District: "Furniture from a Repair Plant"]

[Text] Previously, this enterprise was exclusively engaged in repairing automobiles. Right now the main production has been crowded together in the shops. A place has been freed up for other production: upholstered furniture, of which there is a shortage in the nation.

"When we began producing furniture," Plant Chief Colonel S. Kuzkin says with a smile, "we of course did not have any experience. We only had a plan for producing 170,000 rubles' worth of consumer goods. We could not get drawings or equipment anywhere. So we started by buying a sofa at a commission store. We disassembled it, studied the technology of manufacturing it, and we developed our item. As it turned out, it in no way lags behind those manufactured at special enterprises."

They had to purchase the fabric which is so necessary for producing upholstered furniture through the Oblast Administration of Gossnab. The plant concluded an agreement with a furniture factory located hundreds of kilometers from the enterprise to acquire porolon and particle board. Material suppliers were also found for seat covers for Zhiguli, Moskvich, and Volga light automobiles. They are also manufactured here.

It is true that the question is reasonably raised at the plant that this practice is dangerous and that at any time there may not be sufficient component materials for production. But, be that as it may, today the plant is

already manufacturing 15-20 suites of upholstered furniture per month. It is being sold in garrison military exchange stores by contract.

Conversion: Missile Design Bureau Producing Washing Machines

90UM0031B Moscow PRAVDA in Russian
6 Oct 89 Second Edition p 8

[Article by PRAVDA Correspondent Yu. Shcherbinin, Volgograd: "Barrikady Is on that Side: Complete Secrecy"]

[Text] The Americans helped me get into a "closed" enterprise. Yes, this is just how it happened: The Americans opened the path into this enterprise to Soviet journalists. Two years ago, they would not let me past the entrance. They convinced me: It was impossible to even mention the Barrikady enterprise in vain! But a year later, military inspectors from the U.S. headed by General R. LaJoie, having arrived at the city on the Volga, "searched" this same Barrikady [enterprise] from head to foot.

By that time, in the words of the American general, "the most unique medium range missiles in the world" were already being destroyed at the Kapustin Yar test range.

The SS-20 launch complex is now a missile weapons museum exhibit. It also opened last year at Kapustin Yar. And if Designer Valerian Sobolev wants to recall his youth, he travels a little more than 100 kilometers from Volgograd to this military test range where the first ballistic missile was launched and where the brainchildren of his SS-20 Central Design Bureau are now being systematically destroyed.

Valerian Sobolev, middle aged and average height, is unusually authoritative. He has the ability to listen to whom he is talking with and, what is 100 times better, to precisely formulate his thoughts and make a sound decision, advantages which always distinguish an intelligent man. Sobolev had a worthy opponent during the Congress of People's Deputies elections—a professor of a polytechnic institute. A colleague. Valerian Markovich is also a doctor of science and a professor. Until recently, he combined the work of chief designer at Barrikady with that of department chairman at a polytechnic institute.

Deputy business forced him to sacrifice the department chairman's position, although he continues to "advise" degree seekers. All members of his family—his wife, son, and daughter—are engineers. This happy family regards its head without deep emotion but with a sufficient amount of adoration to help in everything.

Having become a people's deputy, Sobolev did not change his telephone number but he turns off his home

telephone after 2300 hours. In the eyes of the bureaucratic system, he remains a closed chief designer, for whom even travel to a socialist country as a member of a delegation is a problem.

But recently Sobolev found the time to meet with a PRAVDA correspondent. I cannot judge just what played the deciding role—glasnost or the chief designer's prestige at the rank of people's deputy. One way or another, I was allowed onto the plant's ground in my car and was cheerfully shown the road to the designers building, respectfully emphasizing: "He is going to see Sobolev." It is true that passage at each point was recorded by guards who passed me from hand to hand. The transmission conveyer also misfired just at the stairs leading directly to TsKB [Central Design Bureau].

"You are going to see Sobolev?" The guard was surprised. "That is not permitted."

I am familiar with this type of person. It is useless to argue. It is senseless to argue that you are not interested in special weapons. But suddenly the closed communications began operating and the guard saluted.

Of course, I was quite interested in finding out what replaced the SS-20. I looked into the assembly shops and talked with workers and testers. But conversion proposes acquainting journalists with the past in the defense industry and only to some degree with its future civilian direction.

Sobolev's intellect has also been subjected to conversion. He spent more time during the last year on the civil than on the defense industry. Is this beneficial for the country? I do not know. Another thing is indisputable: our market really needs the washing machines designed by the TsKB defense enterprise.

The splendid technical data, 39 programmed operating modes, reliability, and universal application of the washing robot brought the Volgograd Ivolga to a higher level than the Vyatka-Avtomat which is popular in the Soviet Union. The new machine is also cheaper. For purchasers. And the enterprise will be given minus 1.5 million rubles just this year for the washing machine. The powerful in intellect and technical level Barrikady Association, capable of producing truly unique special weapons, turned out to be helpless with regard to home appliances.

The discussion of the planning bodies: If this can be, then the washing machine is based solely on speculative calculations. Having confounded Barrikady by conversion to the level of washing machines, the defense workers collective and the economy as a whole will be placed in a disadvantageous position. Just to give the enterprise a somewhat civilian view, one of the special weapons is being transferred to a native enterprise thousands of kilometers away. The assembly shop thus being vacated is being reconfigured to produce washing machines. Prospects: Next year, 50,000 units and two

years from now, 100,000 units. We all know that complicated home appliances become profitable when millions are produced.

"If that were the future," says V. Sobolev, "we would have designed a machine at the highest world level, for example, with the use of a computer. But the machine would cost about 900 rubles with a thousand unit production. Once again trifles. One hundred thousand washing machines over the next two years are not even enough for Volgograd Oblast. But the command system is strong and very fundamental."

Sobolev proposed:

"We do not need restructuring. Give us the Volgograd Krasnaya Zarya Plant which will specialize in first generation washing machines. We will give the enterprise new life. We will increase the technology twofold and we will increase power several times over...."

The owner of the plant—Ministry of the Shipbuilding Industry—does not at all agree. They say they need the plant! It may be a poor one but this little box with a water area is a shortage item today.

The 175,000 "Volzhankas" are not being delayed in stores. Does that mean chase junk while there is a demand?

"We basically have an incorrect approach to home appliances," S. Frolikov, department chief of the Ministry of the Defense Industry, is convinced. "Production of these same washing machines must be oriented to the growth of the housing industry. You understand that a gas stove, sink, and washing machine must also be considered as necessary attributes of a new apartment."

I understand. Moreover, I see: This relationship to the introduction of housing gives rise to long term orders for production of washing machines. That means we cannot get by with converted shops—we need plants. Today the most effective path is to buy licenses, build plants, and produce needed "appliances."

Where do we get hard currency? V. Sobolev has his opinion on this score. He has developed several types of machinery for the national economy based on a missile launcher. One of them is a pile driver. It is unique; there is no similar apparatus. I will not rave about its advantages; I will only say: It will cost about 800,000 dollars on the world market.

Another example is a logrolling machine—230,000 dollars. We are proposing production of several types of special machinery for emergency situations, fire fighting equipment, and equipment safes. All of these are really unique; there is a huge demand, and they will be very expensive.

"By next year, we will already be able to sell 10 machines of any type," says V. Sobolev. "Let us say that we purchase 400,000 washing machines in Japan with the hard currency we earn. Everything, without additional

expenditures, without lowering main production. And the main thing is that we will not need to transfer highly skilled experts to the assembly line. Another alternative is to acquire a plant."

I do not think that the chief designer wants to barricade Barrikady from consumer goods. A man of business and the future, he is seeking more rational and beneficial solutions to the problem. First of all, we need a conversion of thinking to do this. Not a battle cry but an organized beginning must be the foundation of the new movement.

"Unfortunately, there is no active conversion center in the country," V. Sobolev is convinced. "No one is engaged in distributing or coordinating orders. This same Barrikady is supposed to manufacture one of six automatic production line machines to produce canned goods. And who will make the other five? How will they interface?"

REGIONAL DEVELOPMENT

Gosplan Head on BSSR Approach to Self-Financing

904A0079A Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 21 Nov 89 p 1

[Interview with USSR People's Deputy V. Kebich, chairman of BSSR Gosplan, by V. Roshchin, SOTSIALISTICHESKAYA INDUSTRIYA correspondent, Minsk: "How Interests Coincide"]

[Text] For many people, this resolution of USSR Council of Ministers was unexpected. In the sense that for a long time the press has been conducting a discussion of the granting of economic independence, of converting the Baltic republics to regional cost accountability, but the first republic to transfer to the new conditions for management on the basis of self-government and self-financing would be Belorussia. Why did that happen? Doesn't this mean that for Belorussians the demands were less radical than the demands of their northern neighbors? That was the question that began the discussion that our SOTSIALISTICHESKAYA INDUSTRIYA had with USSR People's Deputy V. Kebich, chairman of BSSR Gosplan.

[Vyacheslav Frantsevich Kebich] We chose our path. We consider it to be correct under the present economic conditions, although we do not preclude that there may also be other approaches. Unlike the Baltic republics, Belorussia is not striving for complete economic independence. It is necessary to look soberly at the situation, to take into consideration the tendencies in the development of the world economy. Our path is not isolation, but integration.

We did not raise the question of transferring to the republic all the enterprises, all the projects in the national economy, which are on its territory. And there

are weighty explanations for this. A large-scale machine-building complex has developed in the republic, a mighty chemical industry and light industry have been concentrated here, but it lacks its own fuel-and-energy, metallurgical, and, in general, raw-materials base. And so it would be at least unwise to disturb the very large intertwining of cooperative production ties that have already formed. Here the interests of the center and our own interests coincide. And, in general, we did not have any large discrepancies with the concept of the General Principles for restructuring the management of the economy and the social sphere in the union republics. This apparently also explains why our version was adopted by the government without any special frictions. The share of the output to be produced at the enterprises that have been transferred to the jurisdiction of the region will be 50 percent next year. At the first stage this is sufficient.

[V. Roshchin] Was that figure estimated by both sides—if you will forgive my expression—by eye?

[V. Kebich] We arrived at the opinion that in the republic it is desirable to concentrate the administration of those enterprises that are linked with satisfying people's needs, and that we should leave to the union agencies the management of the base branches. But in our republic almost half the production potential is made up of heavy industry. That is why this correlation developed.

Also, what does their resubordination give us? The very concept "subordination" is becoming an anachronism, when we speak of the complete independence of enterprises. They have been given the legal right to decide for themselves the question of their subordination. They have the right to leave a ministry, to enter into associations, consortiums...

[V. Roshchin] And to be subordinate only to economic laws...

[V. Kebich] That's correct. Lying at the base of our concept are the economic relations that the enterprises have with the region. This is how we pose the question: the functioning of any union production must be beneficial for the republic. Now they will deduct 20 percent from their profit (we insisted on 40, and differences of opinion remain here) to pay for the use of labor and natural resources. Thus, the local Soviets will have a self-interest in assuring that the union enterprises operate effectively. That is the advantage that we obtain: if you work better, you will live better. On the basis of guaranteed funds, rather than depending on whether the center will be charitable, whether it will provide the money or not.

[V. Roshchin] In addition, so far as I know, all the output in excess of plan will remain at the disposal of the enterprises and can be used to satisfy the local needs...

[V. Kebich] We hope that this will interest the collectives in assuring that the additional output produced is primarily consumer goods, food products, and many other articles for the local market. According to our forecasts, there will be an increase in the production of many commodities, as well as the per-capita meat and milk consumption. We must see real results in these areas by next year.

[V. Roshchin] Vyacheslav Frantsevich, in the negotiations among the union and republic agencies concerning the delegating of rights to the outlying areas, concerning the transferral of the administrative functions, there of course were compromises. But why is it that so many enterprises feel that as a result of the resubordination their interests will be infringed upon?

[V. Kebich] I can easily understand the question, just as I can easily understand the protests from below. The crux of the matter here is really not so much one of infringements, as it is of the collectives' fears. They are afraid that, in the technical progress, they will also lose their material support. There are no other motivations here. It is simply that the stereotypes dominate over the economic managers' way of thinking. Because during their entire life, with the branch administration, the material-technical and financial resources used to be allocated in a first-priority manner to the ministries, and then only to the union republics. People still have the custom, which has been developed over a period of many years, of thinking that it is only the ministry that gives everything to them. And yet the system of material-technical supply will also be restructured. The republic and oblast agencies of supply will begin to go out directly to the enterprises regardless of their subordination.

[V. Roshchin] Do you feel that in the catchy formula "a strong center makes a strong republic" the emphases have been placed correctly? Could it be that they ought to change places: first the strong republic?...

[V. Kebich] I would have put in first place a strong enterprise. It produces everything. It must be said at first that it is the enterprise that loses or that will have anything, and only then the republic and the center. I hope very much that the new package of laws concerning property, land, the socialist enterprise and rent, the single tax system, etc., will create the necessary conditions for deepening the economic reform in the primary production links, and will help us to get closer to complete cost accountability.

[V. Roshchin] As everyone knows, Belorussia consumes much less than it produces. But there are fears that now its economic situation can worsen, irrespective of the production results. For example, because of the regulation of the income part of the budget on the part of the higher union levels. Or because of an increase in the prices of the initial materials that will have to be shipped in...

[V. Kebich] As for our interrelationships with the union budget, there must be just one condition: the rigid

stability of the quotas. It must be guaranteed by the state, otherwise not a single stone in our concepts will be left standing. Because we already have had bitter experience when the cost accountability at the enterprises was undermined by establishing differentiated quotas for them. The better the enterprise worked, the more it was plucked. If we continue to use these administrative levers, there can be no discussion of republic self-administration or self-financing.

What will happen if the prices of metal rise? We made computations with a possible change in prices: the balance is still in our favor. The republic will still continue to a greater extent to be one that ships things out, and if there is an increase in the price of raw materials, we can change the contract price also for the output that is produced from them.

[V. Roshchin] In our discussion we seem to have overlooked a very important factor: the expansion of the rights of the local and republic agencies in planning.

[V. Kebich] As far as the planning for the economy that is subordinate to the republic is concerned, everything here is quite clear and, most importantly, acceptable. The republic carries it out independently (which, incidentally, is what makes the Baltic model attractive—everything there belongs to the republic). The union agencies make known [to the enterprises] only the state production order for the shipment of output for union-wide needs, the limits of the material-technical resources that are being allocated in a centralized manner, and the state (centralized) capital investments. The republic resolves everything else by itself, with the participation, of course, of the local agencies and labor collectives.

As for the enterprises of union subordination, one can see clearly here the center's attempt to eliminate the republic agencies from using economic methods to administer them. We consider this to be deeply erroneous. The right that has been retained for us—the right to coordinate with the enterprises of union subordination the volumes of production of consumer goods and paid services for the public—is obviously inadequate. In our opinion, the republics must also have the right to receive a republic-level production order.

To our great regret, USSR Minfin [Ministry of Finance] did not accept the form of interrelationships with the country's budget that is proposed by us: the enterprises make settlements with the rayons and the oblasts; the rayons and oblast make settlements with the republic; and it is only the republic that makes settlements with the Union. This is obviously because of the fears that the financial agencies will lose control over certain branches. In our concept, it is stipulated that all the taxes are paid into all budgets at the same time.

[V. Roshchin] Until now, Vyacheslav Frantsevich, we have spoken about things that you are confident about. But in every new matter there are quite a few things that are not completely clear, that cause doubt. It is as though

our boat is moving through an unfamiliar fishing area and we do not know where dangerous reefs are waiting for us...

[V. Kebich] I personally am quite aware that errors and miscalculations are possible. And I also have my doubts about certain things. Take, for example, the first rather dangerous barrier: what kinds of quotas should there be? We are still approaching this by the experimental path. And it is not precluded that all the quotas for the interrelationships with the union budget will be changed by the beginning of the 13th Five-Year Plan. That is why the first experience in Belorussia is so important. I want to emphasize that the experimental verification of our concept of self-government and self-financing will subsequently help to avoid larger miscalculations and errors.

But, I repeat, there are indeed doubts. One problem that is very disturbing is the problem of material-technical support. There is probably no problem that is more important. I foresee rather large frictions in the interrelationships with the center, and primarily in the area of financial policy. I think that the union ministries will continue to force their will on us.

[V. Roshchin] How can that be expressed?

[V. Kebich] In their forcing the enterprises to produce output that is not profitable for them. That will put them in a difficult situation. The apparatuses at the ministries have been preserved, and they will attempt, when forming quotas, to preserve for themselves the share that they have had up until now. The republic will have to withstand many "battles" in order to keep its own share and to defend the enterprises from denudation and prevent them from being without profit. Because they will certainly also be infringed upon by the local authorities by means of various differentiated taxes. You cannot put up much of a fight against them: any limitations can be imposed. At the present time, by force of habit, we speak of bureaucratic methods "up above," but under the new conditions those methods can also flourish at the lowest level.

[V. Roshchin] What kind of regulators, then, can be used here?

[V. Kebich] For the time being, they are the traditional ones: the intensification of the monitoring by the superior agencies, the normal economic interrelationships. On the basis of those quotas which would put all the enterprises under identical conditions.

And there is one last thing that is especially troubling. It will be difficult to speak not only about cost accountability, but also about normal self-government and self-financing, if the wholesale and purchase prices remain what they currently are. They are not mutually advantageous. The system of subsidies so confuses us that at times it is impossible to evaluate the region's economic status realistically.

Nevertheless, all these references to barriers and reefs definitely do not mean that the republic has not been assuming the complete responsibility for developing and implementing the principles of territorial self-government and self-financing.

Estonian Export Potential Examined

904A0030A Tallinn SOVETSKAYA ESTONIYA in Russian 12 Oct 89 p 3

[Interview with Kh. Eller, administration chief, and Kh. Reedik, deputy chief of the export department, of the Administration for Foreign Economic Relations of ESSR Gosplan, by S. Yershova: "Window on Europe"; date and place not given]

[Text] In recent days, several issues of SOVETSKAYA ESTONIYA have carried articles prepared by the Problems Council of IMYe of ESSR Gosplan and devoted to the preparatory stage of the transition to republic cost accounting (khozraschet) (September-December 1989). They contain a special section covering the problems of developing foreign economic relations: creation of the republic foreign exchange budget, the drafting of legislation on quotas and licenses, and increasing foreign exchange resources. What problems stand behind these terms, which are not very well-known? And how real are the prospects in this stage for increasing the republic's foreign exchange income?

To help readers get their bearings in this complicated situation, we are offering a summary of conversations which correspondent S. Yershova had on this topic with leading specialists of the Administration for Foreign Economic Relations of ESSR Gosplan, in particular with Kh. Eller, chief of the administration, and with Kh. Reedik, deputy chief of the export department.

[Yershova] I would like to begin with a piece of news that is flattering for all of us. This summer, Estonian SSR for the first time became a participant in the annual international fair in Sweden. What goods did our republic exhibit there?

[Answer] Glass and ceramic dishware, nickel silver table utensils, canned fish products, and confectionery products were displayed in the booth of the export-import association "Estimpeks." A kiosk had very good sales to fair visitors of folk arts and crafts made by the association "Uku"—tablecloths, towels, embroidered articles, leather belts, small boxes and cases, eyeglass cases, and women's finery; products of the Tallinn Ceramic Products Plant, and also marshmallows, chocolate medallions, and candy made by "Kalev." Goods with the Estonian ethnic flavor were in particularly great demand with the Swedish customers.

[Yershova] And what were the specific results?

[Answer] "Estimpeks" concluded more than a dozen export and import transactions in Sweden. But the benefit from taking part in such fairs goes far beyond

that. During the international meetings, studies are made of the market and demand for Estonian goods, prices are revised, and personal business relations are developed with firms. In other words, this is a business-like preparation for the transition to foreign exchange cost accounting, or, as it is still referred to, to foreign exchange self-financing. What this term means in simple language is this: As of 1 January of next year, the republic must earn the foreign exchange for its own needs on its own. Whatever the revenues are from business deals with foreign firms, that is the amount (and no more than that) which can be used to purchase imported goods, raw materials, and equipment. That is why we must even now "open a window on Europe," and seek new markets for selling Estonian products.

[Yershova] The complexity of that task can be judged from the official figures, which were given in SOVETSKAYA ESTONIYA back at the end of December in an article entitled "Imports and Exports as Reflected in Statistics." They showed that import deliveries in the republic exceed exports threefold. Which means that if it is to live within its means, Estonia will in coming years have to triple its export potential or minimize its purchases abroad?

[Answer] First of all, the ratio "one to three" does not reflect the real picture altogether accurately. Whereas statistical reporting on exports does exist, even if it is insufficient, there has been practically no analysis of exports (neither for the Soviet Union as a whole, nor in a breakdown by republics). And there are quite a few "underwater rocks" hidden here. For example, there are what are referred to as "hidden" exports. An Estonian enterprise, say, uses products of the domestic chemical industry to paint its products. But chemical plants purchase abroad some of the components used in making that paint. To have absolutely accurate data, we need to know what the share of export costs is in each article.

But still, even if it is not in the ratio of one to three, the balance is actually negative: it is heavy on the import side at present. And this places the republic in a very problematical position. We all have to display maximum thrift and economy. So that imported equipment is not standing around somewhere idle. To repeatedly think over the return from every business transaction before deciding on it. For example, Polish craftsmen are extensively involved in restoration work in Estonia. This after all is also an import, only in this case it is not goods that are being imported, but labor, yet the expenditures to pay for services are included in the same republic foreign exchange balance. Which means that we have to seek out opportunities to substitute domestic goods and services wherever possible for those we have been importing. To improve the quality of products produced in the republic so that we no longer need to purchase that assortment of goods abroad.

[Yershova] Still, as they say, saving alone does not fill the stomach. How will the republic be able to increase its

exports? After all, its opportunities are limited to a certain extent by state orders. It is they who have to be filled first of all.

[Answer] This is probably where the forecasts are most optimistic. This year, the state orders amounted to only 70 percent of the products produced in the republic; next year, their share will be reduced still more for Estonia. The question of where to obtain the raw materials to produce goods for export is another matter. USSR Gosplan is concerned only with the state orders. But the republic associations, enterprises, and supply components are trying to conclude contracts by means of "horizontal" relations through intermediary organizations in the other union republics and to establish direct contacts with manufacturing enterprises. Just as the Kirishi Combine (Leningrad Oblast), for example, will be delivering some asphalt to Estonia. The point of view of the republic is that the system of USSR Gosplan must be transformed from an agency distributing stocks to an organization operating as an intermediary.

[Yershova] What specific measures are envisaged to increase Estonia's export potential?

[Answer] This is the concern of a working group that has now been created by the Estonian Council of Ministers to regulate foreign economic relations; it is headed by L. Tammevalli, first deputy chairman of ESSR Gosplan. This is at present the most strenuous time for the participants in its four subgroups. They are drafting legislation for the republic's foreign economic activity and preparing the procedure for formation of ESSR's advance foreign exchange estimate. After all, previously Estonia did not have its own advance foreign exchange estimate; Moscow planned and distributed everything for it. Proposals are being prepared to augment foreign exchange resources, to develop exporting and importing, to organize foreign exchange auctions in the republic, to expand foreign tourism, and considerations for reorganization of the information system are being taken up.

In time, joint enterprises and firms will be potential sources of foreign exchange revenues for the republic. Their number is growing very significantly. From 2 in 1987 to more than 80 (if we include both those in operation and also those awaiting official registration) at the present time.

What is more, in the context of republic cost accounting Estonia does not intend to shut itself off from previous contacts through agreements already concluded or to be concluded by the USSR Government, union ministries, and foreign states. Plans call for maintaining them at the level of 1989. Consequently, we can count on foreign exchange revenues in the same volume through union channels.

[Yershova] Which means there is the basis for an affirmative answer to the question of whether the republic can afford foreign exchange cost accounting?

[Answer] Many things, a great many things, involved in that answer depend at present on the supreme legislative bodies of the USSR. The sphere of foreign economic relations is inseparable from the other sections of IMYe, legislation on foreign exchange self-financing must be incorporated into the general conception of republic cost accounting. And on that plane many ideas of the working group require revision of the nationwide legislation now in effect. Here is one example. Of what have our republic's foreign exchange revenues consisted up to this time? Of deductions from the foreign economic activity of enterprises operating on its territory, to some extent from all-union funds for centralized distribution. This is what this looked like in practice. The foreign exchange fund of the ESSR Council of Ministers received 20 percent of the proceeds of enterprises under republic jurisdiction, 50 percent remained with the enterprises, and 30 percent was credited to the union foreign exchange fund. Organizations and associations subordinate to union ministries make a deduction to ESSR of only...5 percent of their income from exports. This was envisaged by a decree of the USSR Government. The lion's share of foreign exchange proceeds went to all-union funds, bypassing the republic.

To be sure, the ESSR Council of Ministers adopted a decree this year increasing by 5 percent the deductions of enterprises under union jurisdiction—for development of the republic infrastructure, health care, and so on. But that share is not enough either; after all, the resources go to meeting the needs of the entire population of Estonia, including those working at what are now "union" enterprises.

None of this means, of course, that every union republic should not credit to the state some share of the foreign exchange to cover all-union expenditures, in particular those for defense, performance of nationwide programs (development of space exploration and health care), to maintain the diplomatic corps, and so on. But the percentage of those deductions must suit both sides. Otherwise, foreign exchange cost accounting may actually prove to be something which Estonia cannot afford. That is the reason for preparing a draft of an agreement between the USSR Council of Ministers and the ESSR Council of Ministers on basic principles of foreign economic cooperation in 1990 and the period 1991-1995, which explicitly stipulates that foreign exchange proceeds from exports of goods (jobs and services) of enterprises, associations, producer cooperatives, and other organizations located on the territory of Estonian SSR will go into their accounts in the appropriate republic bank. The rate of deductions made to the republic fund is set by the ESSR Council of Ministers. Funds for all-union purposes are credited from the republic foreign exchange fund to the union foreign exchange fund in the form of payment at a rate established in legislation.

The question of quotas and licenses is just as problematical at this point. At the present time, every union republic must obtain a permit or license from union

ministries and departments to export a number of its goods or raw materials to the foreign market. For example, the license for timber and lumber and pulp and paper products (except for low-grade wood and waste from timber processing) is issued by the USSR Ministry of Timber Industry, for cement by the USSR Ministry of Construction Materials, for fish and fish products (with the exception of fish from internal waters) by the USSR Ministry of Fish Industry, and so on. This procedure is envisaged in a specific all-union decree regulating foreign economic relations. This licensing is supposed to protect the domestic market and natural resources. But in fact the result is that the union republic is not anxious to dispose of its basic goods and resources. It ties the hands of entrepreneurial activity, and it imposes difficult conditions on introduction of IMYe. Which is to say that this provision comes under Point 3 of the decree of the USSR Supreme Soviet entitled "On the Proposals of the Supreme Soviets of Lithuanian SSR, Latvian SSR, and Estonian SSR on Transition of These Republics to Cost Accounting," which reads: "Legislative acts of the USSR regulating economic relations take effect on the territory of those republics insofar as they do not stand in the way of their transition to cost accounting." In view of this point of the decree, a procedure has been proposed whereby restrictions on exports and imports in quantitative or value terms—quotas—would be established by the ESSR Council of Ministers. And licenses for the export and import of goods, services, and jobs would be issued to enterprises, associations, and producer cooperatives located on the territory of Estonia exclusively by the ESSR Council of Ministers or, by its order, by the relevant republic departments.

It is quite clear that this kind of procedure will not be to the liking of union departments. Until the republic's proposals take the form of legislation, we will not anticipate events, so as not to find ourselves in the position of drivers attempting to drive their cars in violation of traffic rules in effect.

Price, Tax Reforms Important for Interrepublic Trade

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[Article by A.G. Granberg, corresponding member of the USSR Academy of Sciences, Novosibirsk: "The Economic Mechanism of Interrepublic and Interregional Relations"]

[Text] The center of gravity of the economic reform has shifted this year from enterprises to regions. Legislative bills have been drafted and have gone through extensive discussion concerning the principles for perestroika of guidance of the economy and the social sphere in the union republics on the basis of an expansion of their sovereign rights, self-government, and self-financing and on local self-government and the local economy. The

term "regional cost accounting" has gained extraordinary popularity. The new regional economic mechanism is supposed to be introduced as of the beginning of the 13th FYP. But certain republics, oblasts, and cities are fully resolved to adopt it even beginning in 1990 in view of their own particular circumstances and interests.

It is obvious that the restructuring of management cannot be done in every republic (region) in isolation, without taking into account the consequences for other republics (regions) and the entire national economy. Radical changes are required in interrepublic (interregional) relations, which are closely related to the political, social, and ethnic structure of society. The urgency of this direction of the reform has been emphasized in fierce discussions in the USSR Congress of People's Deputies and the first sessions of the USSR Supreme Soviet.

Regional Division of Labor and Economic Interests

The general pattern of development of both a national economy and the world economy is a deepening of the regional division of labor, in which the production of a particular product is concentrated in regions which have the most favorable conditions for it, and intensive exchange of the results of labor is organized among them.

In view of its exceptional diversity of natural-geographic and socioeconomic conditions, it is particularly important for our country to utilize the advantages of the regional division of labor. As a general principle, then, it is not possible to organize the production of all the principal products in every region and to build a closed (autarkic) regional economy. Differentiation of production costs is an important factor in the regional division of labor in the USSR. For instance, interregional differences in the production cost of petroleum go as high as 5-6-fold, for natural gas as high as fivefold, for bituminous or better coal more than 20-fold, for iron ore 3-4-fold, and for skidding of timber 2-3-fold. There are sizable differences from region to region in the production costs of products of ferrous and nonferrous metallurgy, the chemical and petrochemical industries, the forest products industry, building materials, and foodstuffs. What is more, the conditions for expanding and deepening the regional division of labor are brought about by the accumulated professional know-how, ethnic traditions, and the new directions of NTP.

With the exception of the largest republics (RSFSR, the Ukraine, and Kazakhstan), interrepublic turnover (including exports and imports) goes as high as 46-62 percent of the gross social product produced in the republics and as high as 70-80 percent of industrial and agricultural production. Distribution among the union republics and the economic regions of the RSFSR involves 80 percent of the petroleum, 75 percent of the gas, more than 70 percent of the machines and equipment, about 50 percent of the manufactured fertilizer, 40 percent of the ferrous metals, 30 percent of the coal,

70-100 percent of the products of nonferrous metallurgy, and 30-50 percent of the products of light industry and the food industry.

It might appear that the USSR economy uses interregional exchange to take advantage of the most unique peculiarities of the regional natural-economic complexes and the main advantages of production specialization. But the possibilities of economic cooperation are not being used effectively enough. Over the last 2 decades, the USSR has been lagging appreciably behind the EEC in its rates and forms of economic integration.

As in the past, inefficient concentration of many production operations in the European part of the USSR, which has a shortage of fuel, water, and land, has been preserved and is even being intensified. There is a sizable surplus of jobs in the industry of this region, whereas in Central Asia there is an acute shortage of jobs to employ the unused able-bodied population. The dominance of departmental interests over those of the national economy and the lag in development of the production and social infrastructure have been strong checks on the movement to Siberia of the branches that would round out the processing of raw materials and fuel.

The location of new enterprises and expansion of existing ones that are pursued by central departments quite often in the face of multiannual plans have complicated the environmental situation in a number of regions, have given rise to excessive migrational flows, and have aggravated difficulties in the energy supply and operation of the transportation system. Because of the "residual" principle in development of the social sphere and the growing shortage of goods, regions have less motivation to develop branches oriented toward the nationwide market. Quite often this adverse trend is being ideologically supported by the nice-sounding principle of "self-support."

How is the all-union regional division of labor to be improved and deepened? Previously, reliance was put mainly on centralized planning. But even planning decisions that are ideal from the standpoint of the national economy are effectively blocked by the multitude of differently oriented departmental, local, and group interests. There must be a restructuring, then, of relations among the center (and its functional bodies), regions, and enterprises on the principle of "a balance of interests."

Three fundamental concepts in economic theory have paramount importance to analysis of interregional relations as a system: the optimum, the nucleus, and equilibrium. Unfortunately, they have not been very popular in our literature on regional economics. But without them it clearly is not possible to conduct a strict analysis of the advantages and disadvantages and of the economic realizability of various alternatives of the regional division of labor and interregional relations.

The optimum of a multiregional system is that set of variants of economic development which cannot be

improved for certain regions without a deterioration of the position of others.¹ All other variants are less efficient and can be left out of consideration in choosing a solution. The nucleus is that set of variants in whose accomplishment all regions are interested in the sense that it would be disadvantageous for them to drop out of the system and form coalitions.² As a rule, the nucleus is a part of the optimum of the multiregional system. Economic equilibrium is a state in which variants of development preferable from the standpoint of individual regions offer in the aggregate a balanced solution for the entire economy assuming equivalents (in some sense) of interregional relations.

Until recently, the requirements of taking into account and effectively combining the particular economic interests of regions, of comparing their contributions to the all-union economy, and of establishing equivalent interregional relations met with suspicion of being veiled attempts to undermine faith in the unconditional dominating idea of the interests of the entire state and in the unselfish friendship of peoples. But at the 19th Party Conference it was precisely these issues that were referred to as the most relevant to stabilization and development of the USSR's regional (nation-state) system. Research into interregional economic interactions is taking on a marked practical orientation.

I will mention just one result which has been arrived at in the Institute for the Economics and Organization of Industrial Production of the Siberian Branch of the USSR Academy of Sciences. Multivariant calculations related to an interregional optimization model revealed a nucleus in a system of eight macroregions: the union republics of the European part of the USSR, the European part of the RSFSR without the Urals, the Urals, Kazakhstan, Central Asia, Western Siberia, Eastern Siberia, the Far East. An analysis has shown that formation of the nucleus is mainly governed by the intercomplementarity of the economies of the macroregions thanks to the exchange of fuel, mineral raw materials, timber, cotton, food, specialized equipment, and one-of-a-kind machines.

Why is this result fundamentally important? The existence of a nucleus in the USSR economy means that all macroregions have an objective interest in bilateral and multilateral economic cooperation. Any autarkic and coalitional aspirations, then, are economically inadvisable for all. Interregional relations have to be organized so that decisions concerning the nationwide regional distribution of labor are suitable to the nucleus. It makes sense to continue and deepen the research that has begun. The greatest bottleneck is the information support for planning calculations.

Economic Development and Satisfying the Needs of the Population

The essence of restructuring the economic mechanism for regional development and interregional relations, in my view, is not as strictly revealed by the term "regional

cost accounting" as by the demand uttered at the 27th party congress: to link more closely the efficiency of the region's economy and the amounts of resources allocated to it for social purposes.

It is a rather widespread assumption that the economic mechanism of interregional relations has to be built from scratch. This is not altogether correct. It is more accurate to speak about the weakness and incompleteness of the specific mechanism of these relations (including relations "between the center and the regions") and of the inappropriate impact on them of the cost accounting of enterprises, the financial and credit system, pricing, distribution of machines and equipment, and so on.

Three types of regions have paramount importance to an analysis of the economy as a multiregional system: the union republic as a region of the first rank with the legal status of a state (independently of its economic and demographic potential); the autonomous republic, kray, and oblast—political administrative units at the first level within the republic; and the major economic region as a special (specialized) entity that can be managed. Analysis of the second and third type of regions is particularly relevant for the RSFSR. Because of the lack of comparable information, I will limit myself to examining relations among the union republics.

Today, rankings and quantitative relations of the national income produced and used, labor productivity and real personal income (including social services received) are the most universal characteristics of relations between levels of economic development (UER). The national income produced by the republic reflects both the end result of reproduction on its territory and also the resource potential for performing social tasks. The indicator of the per capita national income produced or the national income produced per person employed in physical production (the productivity of social labor) is used to compare the UER of the republics.

The maximum gap between republics in per capita production of national income is now 1:2.8 (Latvia and Tajikistan). The reasons for such strong differentiation deserve special analysis, especially since optimistic assurances about practical solution of the problem of equalizing the UER of the union republics, which resounded, to be specific, at the 26th CPSU Congress, are not being borne out.

The substantial differentiation of the UER can only partially be "written off" to inaccuracies and errors in the indicator chosen, to "unfair" price relations, to the influence of the sectoral structure of production, to artificialities in the distribution of the turnover tax, and so on. The most obvious objective cause of the existing and intensifying differentiation of the republics with respect to per capita economic indicators is the polarization of demographic trends.³ At present, the demographic load per able-bodied person is 2 in the RSFSR

and the Baltic republics and 3.1 in Central Asia (including 3.5 in Tajikistan). The share of persons employed in physical production in the size of labor resources is 56 percent in Central Asia and Kazakhstan and 64 percent in the Baltic republics. That is why the transition to the indicator of the productivity of social labor reduces by approximately one-third the interrepublic differentiation: the maximum difference is 1:1.9 (once again between Latvia and Tajikistan).

How strongly do these interrepublic differences affect satisfaction of the needs of the population? The regulators operative in the economy over the last 3 decades have maintained a constant relation between the national income produced and the national income used in the republics. The rankings of the republics in the per capita national income produced and national income used have coincided with the exception of one or two transpositions. Thanks to material resources brought in from other republics, Kazakhstan and Central Asia have come somewhat closer to the average union level, the maximum gap between republics with respect to the per capita national income used drops to 1:2.3-1:2.4.

The forms of remuneration (individual and collective), which are related to the end results of activity, play an important role in supporting the dependent relationship between the efficiency of production and satisfaction of social needs. The highest average monthly wage of workers and employees was in Estonia in 1987 (229 rubles), and the lowest was in Azerbaijan, Moldavia, and Tajikistan (165-167 rubles). Its relatively high level in the RSFSR (216 rubles) is mainly explained by its regional adjustment because of climatic conditions. For instance, the average wage in the Northern Economic Region was 274 rubles, in the Far Eastern it was 324, but in the Central Chernozem 186 rubles. Yet interrepublic differences in the wages of workers and employees (maximum difference 1:1.4) are far smaller than those in labor productivity, indicating a substantial leveling tendency. On kolkhozes, where remuneration on the basis of end results is spreading more rapidly, the spread in remuneration is 1:2.2.

We ought to expect that full cost accounting of enterprises, supplemented (at least temporarily) by regulation of the relation between labor productivity and wages, will strengthen the connection between the net output and remuneration in regions. But it is still more important to take this connection to its logical end—satisfy consumer demand in accordance with income.

When the consumer market is unsaturated, interrepublic differences in the consumption of goods and services reflect not only differentiation of levels of production and income, but also the influence of the organization of the trade sector and consumption that does not go through the market, especially foodstuffs. Market stocks are redistributed through the purchase of goods by inhabitants of other republics. According to my estimates, the annual flow of money into the Baltic republics and Belorussia from other republics amounts to at least

1.5 million rubles; one-tenth of retail sales in Estonia are based on money "from other republics."

Under the influence of the growing shortage, attempts have been made in recent years to stimulate a growth of production of consumer goods at the local level. Regions have been allowed to commit to local purposes the above-plan output of consumer goods. But the good intentions are not always sustained by any means—the above-plan output is taken away on various pretexts. This detracts from the motivation of regions to augment their production. What is more, the incentives for development of production in the very procedure for crediting output to union-republic stocks (and the subsidies from them) have not been fully activated.

For instance, deliveries of meat and dairy products to union-republic stock are planned with respect to the existing base without sufficiently taking into account the natural-economic potential of the regions. For example, in 25 oblasts and autonomous republics of the RSFSR which were suppliers in 1987, per capita consumption of meat products turned out to be lower than the average for the republic; in some of them, slightly more than half of the volume of production was used for consumption of the local population. At the same time, in 14 regions of the RSFSR receiving subsidies the level of consumption was higher than the average. Moreover, in some of them the conditions are favorable for increasing their own production.

The paradoxes of the present economic mechanism are most manifest in the social sphere. Lithuania, which occupies fifth place with respect to per capita national income produced, is in first place with respect to its development. Kirghizia has a ranking that is three places higher than its position in the production of the national income, and Azerbaijan, Armenia, Turkmenia, and Estonia have a ranking that is two places lower. The discrepancies among the development of production, production efficiency, and the state of the social sphere are most acute within republics (especially in the RSFSR, where too much depends on the policy of central departments and the distribution of resources from the union budget). That is why one of the important tasks in restructuring the regional and interregional economic mechanism is to develop the social sphere mainly with financial resources created ("earned") within the particular area.

The cost-plus mechanism for the formation of budgets does not motivate republics and regions to develop their own financial base. The share of revenues of republic budgets that are collected from the republic economy averages about 20 percent, varying from republic to republic between 12 percent (Kirghizia) and 30 percent (Ukraine). Union enterprises pay only 5 percent of their deductions from profit into republic budgets. The share of these revenues in republic budgets does not exceed 2 percent.

In accordance with the "General Principles for Perestroika, Management of the Economy and the Social Sphere in the Union Republics..." and the draft of the USSR Law on Local Self-Government and the Local Economy, every enterprise will deduct a portion of its income (profit) for the union, republic, and local budgets. The correlation between the efficiency of the region's economy and the possibilities of satisfying the social requirements of the population is being considerably strengthened. But there have been serious objections to the rules proposed for taxing enterprises subordinate to different levels.

The present provision is that enterprises under union jurisdiction must pay 40 percent of all payments from profit into the republic budget, while those under republic jurisdiction pay as much as 90 percent. This differentiation of taxation is provoking republic and local soviets to fight for administrative subordination of enterprises on their territory and is putting regions with a differing sectoral structure of production in an unequal position. After all, when this taxation of a number of branches under union and union-republic jurisdiction is administered, the approximate share of industrial output at enterprises under republic and local jurisdiction will vary greatly from republic to republic: 27 percent in the RSFSR, 50-71 percent in the republics of the Transcaucasus, 57-72 percent in the Baltic republics, and 50-73 percent in Central Asia and Kazakhstan. Taxation has to be uniform. Then the search for the best forms of the organization of production will be moved from the predominantly command-administrative sphere to the sphere of economic competition.

Today, the centralized balancing of the revenues and expenditures of republic budgets occurs through differentiation of deductions from the turnover tax and the personal income tax. And if 100 percent of those deductions is not enough to cover expenditures, the republic receives subsidies from the union budget. For instance, in 1989 Uzbekistan, Kazakhstan, Georgia, Kirghizia, Tajikistan, and Turkmenia kept the entire turnover tax collected on their territory, the RSFSR 85 percent, Belorussia 71 percent, the Ukraine 68 percent, and Latvia 57 percent. The most debatable issues in the restructuring of republic financial relations have precisely to do with the turnover tax.

In 1987, about 30 percent of the turnover tax was realized in the alcohol, liquor, and wine industries, 15 in the textile and knitwear industries, 17 in the petroleum, petroleum refining, chemical, and petrochemical industry, and 14 percent in machinebuilding and metal manufacturing. The turnover tax collected in a republic does not coincide with the value that corresponds to the taxable goods produced in it, since it is paid into the budget both by product manufacturers and also by trade organizations and sales organizations at the point of sale. When the turnover tax is paid by product manufacturers, then the republics in which they are located "get rich." But when we transfer the taxpayer function to trade

organizations, we weaken the already insignificant motivation of the republic to increase the output of consumer goods which have interrepublic importance. Republic differences in the share of the taxable goods produced and sold substantially distort the relation between the national income produced and the national income used.

Because of the absence of stable rates of deductions of the turnover tax, which are set by USSR Minfin on the "residual" principle (except for the 100-percent collection by the budgets of Kazakhstan and the Central Asian republics), the republics try to play down their ability to obtain revenues of their own (including revenues from the production of taxable consumer goods) in order to argue their need to raise the rate of deductions from the turnover tax.

In order to eliminate the adverse consequences of redistribution of national income through the turnover tax, some financial experts propose establishing for all republics a uniform share of deductions to the republic budget from the total amount of tax collected on the territory of the republic, a share that would be firmly fixed for a lengthy period of time. As the transition is being made to self-financing beginning in the 13th FYP as a temporary measure (in order not to disrupt the revenue and expenditure base of budgets formed in the base year), it is recommended that the transition be made to a share of the deductions that would be uniform from year to year, but would be differentiated from republic to republic. On behalf of more uniform distribution of the turnover tax among the various commodity groups, the Central Asian republics propose transferring to the budgets of republics producing raw materials and supplies a portion of the turnover tax from cotton and woolen fabrics, knitwear, and products made from them, fur products, and wine products which they have produced and which are sold outside their territory.

In my view, the "improvement" of the turnover tax will not produce satisfactory results. In economic terms, it is more sound to go back to the traditions of normal financial systems, abolishing the turnover tax and introducing an excise tax on alcohol, tobacco, and jewelry, and possibly on cars and trucks as well. This tax should seemingly go only to the union budget and should be used above all to finance nationwide social programs.

As a supplement to the measures envisaged in the "General Principles..." there should be a legislative guarantee of the stability of republic budgets, they should be safeguarded against encroachments of the union budget, and the union budget should be safeguarded against the economic actions of republics infringing on the interests of society as a whole.

Equivalence and Relations in Redistribution

Discussions of the optimality and fairness of interrepublic (interregional) economic relations turn as a rule on equivalence. As a standard of market relations, it is

frequently treated as a necessary condition for the transition of the regions to self-government and self-financing.

But it follows from the theory of interregional (and international) economic relations (about which we have already spoken—the term “nucleus”) that mutual expediency of interregional exchange can be achieved even when exchange is not equivalent. The experience of the world economy indicates that international trade and financial connections have been developing very rapidly even when there were considerable (hundreds of millions of dollars) imbalances in the payments of many countries. Equivalence of exchange is the ideal case of effective relations based on compensation. So, it is not legitimate to reduce the problem of optimality and fairness of interregional relations solely to equivalence. Nevertheless, an analysis of these relations from the standpoint of equivalence is extremely important to an understanding of the economic mechanism that is in effect and to determining the directions of its restructuring.

The information available on the economy of the republics and on interrepublic relations allows us to analyze three characteristics of equivalence: the relation between the national income produced and the national income used, the net result of the interrepublic exchange of products (supplemented in part by data on migration of personal money resources), and redistribution between union and republic budgets.

The present economic mechanism maintains a high ranking correlation between the national income produced and the national income used on the territory of the republics. For a majority of them, the difference between these indicators is relatively small and rarely changes sign. A stable positive difference between the national income used and the national income produced is maintained in Kazakhstan (19.8 percent in the 11th FYP and 17.2 percent in 1986) and Central Asia (6.0 and 6.4 percent, respectively). But these calculations incorporate not only random, but also systematic statistical errors, deficiencies of pricing, and defects in distribution of the turnover tax.

In 1986 and 1987, Belorussia and Azerbaijan had a positive balance in exchange of the products of physical production (including exports and imports), while the other 13 republics showed a trade deficit. This paradox is explained by the way in which exports and imports are recorded. The balance of exports and imports in the USSR is positive when measured in foreign trade prices. But in the prices of the final sale (which is customary in the practice of constructing intersector balances) imports grow by tens of billions of rubles (by 34 billion rubles in 1987), since consumer goods sold on the domestic market at higher prices, including the turnover tax and various markups, predominate in this figure.

It is preferable, then, to analyze “pure” interrepublic exchange of domestic products. It is important to note

that our country realizes the predominant share of its foreign exchange proceeds by exporting fuel and raw materials delivered mainly from the eastern regions of the RSFSR. The exports of this republic exceed by a factor of 2.5 the exports of all the other republics taken together. That is why most of the imports of all these republics are a consequence of the export of products produced in the RSFSR.

In the interrepublic exchange of domestic products in 1987, exports exceeded imports in the RSFSR, the Ukraine, Belorussia, Georgia, Azerbaijan, Moldavia, and Armenia. There was a negative net result in eight republics with differing levels of economic and social development: at one pole were Central Asia and Kazakhstan, and at the other Lithuania, Latvia, and Estonia (in 1986, Latvia had a slight positive balance). The figures given reflect the movement of products through the channels of material and technical supply and sales, wholesale trade, and retail state and cooperative trade. But they do not fully take into account the movement of goods sold by private individuals, nor, most important, purchases of goods by visiting inhabitants of other republics. This interrepublic trade can be estimated from the interrepublic migration of money. If we add (subtract) these amounts to the recorded exports of products, then the balance in Georgia's trade becomes negative, that of Latvia and Estonia becomes positive, and the negative result of Central Asia and Kazakhstan, which have been exporting money, grows still more.

Discussion of the problem of the equivalence of interrepublic relations usually turns on the question of “fair” prices. The pricing system in the USSR has never been oriented toward trade relations between republics (regions). That is why the prices in effect are not very suitable for measuring the equivalence of those relations. From the standpoint of the RSFSR, the prices of fuel and lumber are not profitable, and from that of Central Asia this is true of cotton and nonferrous metals, and from that of the Baltic republics this applies to meat and dairy products.

Some scientific institutions are doing projects to reassess interrepublic relations. One possible approach here is to convert exports and imports of products in foreign trade (foreign exchange) prices. Calculations using this method have been done by the Council for Study of the Productive Forces of the USSR (using data for 1986). When the conversion is made to foreign trade prices, the results of the exchange of products improve for the RSFSR, the Ukraine, Azerbaijan, and Turkmenia, which have a sizable share of fuel and metals in the structure of their exports. There is a substantial deterioration of the position of republics exporting consumer goods and importing fuel and raw materials. The negative balance of the Baltic republics increases by a factor of 2.8 and reaches nearly 1,000 rubles per inhabitant per year (including exports and imports). While they do not claim to be accurate, these calculations provide food for thought about the possible consequences of a price revision for economic relations among the republics.

Various computational procedures confirm that the RSFSR has a positive balance of trade in interrepublic exchange.

Certain financial flows must correspond to the physical relations among the republics. They are difficult to analyze because we lack the necessary data. According to figures on republic budgets, in 1989 subsidies from the union budget went to Kazakhstan (19 percent of total revenues) and the Central Asian republics (14-21 percent). Those same republics have a stable negative result in interrepublic product exchange. For the other republics, which do not formally receive subsidies, the picture is less clear. As noted above, a sizable portion of revenues from economic activity on the territory of every republic is collected into the union budget; what is more, the financial results of the republics are distorted by the differentiated deduction of the taxes on individuals and the turnover tax.

Can all the republics make the full transition to self-financing in the near future; when will the net result of interrepublic exchange (payments) be nonnegative for every one of them? In other words, is regional economic equilibrium attainable in the context of expanding economic sovereignty of the republics? Assuming present prices are retained, the transition to full financial balance of the republics is not realistic in my opinion. For many of them, it would have grave socioeconomic consequences. The main directions for the change of prices to reduce the imbalance of interrepublic trade and the republic budgets are well-known. But the fundamental question here is this: Is equivalence in interrepublic relations mandatory, or is a redistribution of the national income produced permitted?

In the restructuring of the economic mechanism, emphasis is being put on distribution based on end results at the enterprise and in the region. But "regional cost accounting" does not preclude relations among regions based on redistribution. In a state that is a federal union, redistribution of financial resources and the physical resources that correspond to them is indispensable in the financing of statewide ("extraterritorial") expenditures, for example, for defense; to finance regional programs of nationwide importance and regions with high investment activity; to reduce excessive (antagonistic) social differences and to ensure social guarantees for all members of society regardless of where they live and the work they do.

Possibilities are now being explored for reducing statewide expenditures; certain forms of them will evidently be transferred to the republic level. Later, regional programs can be financed through long-term credit financing of investment projects from all-union funds; that is, there would be at least a partial transformation to dynamic equivalence. Social factors, then, will in future play a determining role in the relations of redistribution.

Ensuring the guaranteed level of satisfaction of the material and nonmaterial needs is oriented above all

toward families with many children, students, and pensioners. It follows, then, that redistribution of revenues among republics (regions) is above all a consequence of the differing regional concentration of various social groups. For example, in the USSR 15 percent of the population has an income amounting to less than 75 rubles per family member (the subsistence minimum), and this percentage is about 50 in Central Asia, 29 in the RSFSR, and 1 percent in the Baltic republics. It is fundamentally important that redistribution not take place mechanically—from the "rich" to the "poor," but through targeted programs financed from all-union (interrepublic) funds. The problem of providing assistance in development of health care and education to the republics and regions with high population growth rates is especially acute.

How are all-union (interrepublic) funds to be built up without undermining the motivation of the regions to increase economic efficiency and augment their own revenues? In my opinion, the financial basis of these funds must be excise taxes (the transformed turnover tax) and differential rent on natural resources, that is, revenues not related to the efficiency of work activity. At the same time, it would be advisable to make the transition from outright grants to returnable subsidies and subsidies to republic (local) budgets for which payment would be made, including earmarked subsidies. This would stimulate the regions to seek out their own sources of financing, and to curtail expenditures which have not been very effective. The budget of a given republic (region) could be subsidized (at interest) both by the union budget and also by other republics (regions), banks, and enterprises which have financial resources temporarily uncommitted.

Toward the New All-Union Market

The growing product shortage, the disruption of the financial and monetary system, and the unreliability of material and technical supply are having a disastrous effect on the intensity and structure of interregional relations. The all-union market is disintegrating, and there is a partial return to barter relations between enterprises and regions. In most regions, various measures are being taken to stabilize and protect the local consumer market (ration coupons for goods for local inhabitants, bans on exporting products outside the region, and so on), work collectives are organizing internal distribution of products, and the creation of subsidiary farms and the earmarked manufacturing of goods for local needs are being encouraged.

The Baltic republics are proposing the most radical measures. They have been discussing the possibilities of introducing separate republic foreign exchange, independent financial-and-credit systems, and the complete transition to contract prices in interrepublic relations. The reaction to these intentions has been mixed, even in the Baltic republics.⁴ It is emphasized that Estonia, Lithuania, and Latvia have a lot to lose in the transition to equivalent relations with the other republics on the

terms of the world market assuming the present economic structure and technical level of the economy.

Whether it is advantageous or disadvantageous to change the republic economic mechanism—that is a problem in the jurisdiction of the given republic, provided it does not infringe on the interests of other republics. But it is obvious that such unilateral actions as introducing one's own foreign exchange, customs barriers, refusal to trade at all-union prices, affect all the republics and tend to disintegrate the all-union market. The world economy is traveling confidently along the road of internationalization; the countries of the EEC have concluded an agreement for full integration by 1992, including freedom of movement within the community of goods, services, capital, and citizens, and even a common European currency is being introduced (the ECU).

How is a single market to be created that would unify regions in the context of their expanding economic independence? This problem requires thorough specific examination. But it is clear even today what the mandatory requirements are: general stabilization of finances and the circulation of money in the country, a substantial reduction of the unsatisfied effective demand for machines and equipment, consumer goods, and services; universal introduction of payments to regulate labor resources and natural resources and environmental protection; revision of the project of the reform of wholesale prices with an orientation toward creating normal conditions for optimum specialization of regions and inter-regional relations.⁵ The proposal of V.D. Belkin, P.A. Medvedev, and I.P. Nit on the introduction and gradual spread from region to region of "convertible" money deserves attention.

Experiments with interregional and especially inter-republic relations based on bartering are very risky; they could cause serious economic, social, and political deformations. That is why it is important to step up research on the simulation and forecasting of restructuring of the all-union market under changing economic conditions.

Footnotes

1. This set is often called Pareto's optimum (named after the Italian economist and mathematician V. Pareto, who introduced this term).

2. This term was formulated by the English economist D. [sic] Edgeworth in the 19th century.

3. According to the data of the USSR population census done in January 1989, over the last 10 years the population of the Ukraine has grown only 4 percent, that of Latvia 6 percent, that of the RSFSR, Belorussia, and Estonia 7 percent, but that of Turkmenia 28 percent, that of Uzbekistan 29 percent, and that of Tajikistan 34 percent.

4. See, for example, M. Bronshteyn, "Regional Cost Accounting: Coolheadedness and Demonstrability Are Needed," *KOMMUNIST*, No 5, 1989.

5. See "Pricing of Fuel and Energy: EKO Round-Table Discussion," *EKO*, No 8, 1989.

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UkSSR Council of Ministers Chairman on Economic Reform, Other Issues

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in Russian 3 Sep 89 p 1

[Interview with V.A. Masol, member, Ukrainian CP Central Committee Politburo, chairman, UkSSR Council of Ministers, by unnamed RATAU correspondents: "For the Well-Being of the Peoples, In the Name of Brotherhood"]

[Text] UkSSR Literature and Art Days in Kazakhstan comprise not only a good opportunity to exchange spiritual values and to enrich these fraternal cultures. They will also facilitate the improvement of inter-ethnic relations and increase the contributions made by our republics to the entire country's integrated national-economic complex.

On the eve of these Days, some RATAU correspondents, at the request of KazTAG, interviewed V.A. Masol, a member of the Ukrainian CP Central Committee Politburo, and chairman of the UkSSR Council of Ministers. He replied to questions concerning the implementation of the tasks assigned by perestroika in his republic, as well as with regard to how the party, soviet, and economic organs, along with the labor collectives, are solving urgent socioeconomic problems.

[Correspondents] As you know, the principal intent of perestroika is to raise people's standard of living. But it is also undoubtedly true that no social issues can get off to a start unless the economy is developed intensively. Therefore, we'd like to hear, first of all, what paths the restructuring of the economy is taking in the Ukraine and how the tasks assigned by the five-year plan are being carried out.

[V.A. Masol] An important feature of the changes taking place in our republic is the implementation of the important measures for restructuring the national economy. The proportionate share of resources being channeled into current consumption within the total volume of the national income will increase from 79.2 percent in 1985 to 85.6 percent by the end of the five-year plan. During the last four years non-production-type construction will utilize capital investments amounting to almost one-third more than were originally intended according to the five-year plan.

We have succeeded in overcoming the residual principle of developing the material base of the socio-cultural

sphere. This has allowed us to conduct housing construction more intensively. Over a four-year period it will introduce 13 million square meters more than were provided for in the plans of the five-year plan. There has been a significant increase in the tasks assigned with regard to erecting general-education schools, children's preschool institutions, hospitals, and polyclinics.

Structural changes are also noticeable in the results of industrial work. During the last three years the volume of producer goods output has increased by 12.8 percent, while that of consumer goods increased by 14.1 percent.

I'd like to emphasize the fact that, with regard to the basic indicators, our republic has achieved and, in some cases, even surpassed the milestones set by the five-year plan. We've managed not only to overcome the downward creep in the growth rate of production and labor productivity which characterized past years, but also to ensure the growth of our resource potential.

Along certain lines, however, there is still, unfortunately, a serious lag. Therefore, we view the movements which have begun to appear in material production and the social sphere as signs that the restoration of health to the evolving situation has only just begun.

[Correspondents] Tell us, Vitaliy Andreyevich, about how the economic reform is being carried out in practical terms. What kinds of problems and difficulties have arisen? What future prospects do you see?

[V.A. Masol] In my opinion, the radical nature and depth of the economic reform, as well as the nature of the processes which it has brought about in the Ukraine, are nowadays, to a great extent, also characteristic of Kazakhstan's economy. We have almost everywhere the old forms of economic organization which are still in existence and the new ones, which are gathering force. We've completed converting the enterprises and associations of all production sectors to full cost accounting and self-financing. Leasing relations are being utilized more and more extensively, as well as healthy cooperative forms of economic management.

Upon the initiative of labor collectives, work is proceeding forward on establishing associations, concerns, and other previously uncustomary organizational structures. At enterprises and in associations there has been noticeable forward movement in developing progressive forms of cost accounting. Thus, approximately a thousand collectives are working in accordance with cost accounting's second model, so far 135 industrial enterprises and 11 construction trusts have converted to a leasing contract.

With the development of the enterprises' and associations' independence, there has also been a change in the principles of planning at all levels. The number of indicators to be approved in the republic's state plan and to be brought to the ministries, departments, and obls-polkoms, has decreased in comparison with last year by

a factor of almost 4, while the proportion of state orders has been curtailed by a factor of 2-3.

As to difficulties, certain of them have been engendered by our past, but some are connected with all sorts of twists and even distortions of the reform's purposes and tasks, as well as by a misunderstanding of its essence. In many cases, half-heartedly undertaken solutions and our failure to finish up things have likewise been obstacles.

I consider that, with the adoption by the First Session of the USSR Supreme Soviet of corrections and additions to the previously existing Law on Enterprises, we have taken a serious step toward expanding economic independence. On the other hand, the first steps towards independence for enterprises have already led to such negative factors as group egoism, a lowering of production plans, and attempts to place narrowly departmental interests above state-wide, nationwide interests.

We likewise often encounter a situation whereby, under monopolistic conditions, the dictates of a production enterprise which is also the supplier bring about a one-sided advantage; it ratchets up the prices and obtains an essentially unearned profit. As a result, the payout of money increases, output is not stepped up, and the imbalance of the market becomes greater. It's a serious problem, and it must be solved without delay, primarily within the labor collectives.

Imperfections in the finance-credit mechanism and the system of price-formation constitute a serious brake on progress. The existing wholesale and requisition prices do not correspond to the needs of the reform, nor to the rigid conditions of the upcoming regional cost accounting. It's also obvious that an unnatural situation has developed in the case of the requisition prices on agricultural produce. If we likewise add in here the relatively low prices on raw materials, fuel, and metal, then our problems in connection with converting to regional cost accounting become more understandable.

The Ukraine stands firmly on positions of economic sovereignty. But, in our opinion, it still must be approached gradually, by means of attaining some sorts of compromises, by working out the appropriate legal statutes, rather than on a wave of emotion. We must avoid such miscalculations and poorly thought-through solutions which would become a cause of economic isolation and non-equivalent exchange among republics.

[Correspondents] One of the most pressing problems is the food problem. How is it being solved in the Ukraine? What is being done to carry out the decisions of the March (1989) Plenum of the CPSU Central Committee?

[V.A. Masol] Despite certain shifts, the acuteness of this problem is being reduced too slowly. In light of the decisions taken by the March Plenum of the Central Committee, we view the principal task as making sure that this republic's population during the next few years senses a substantial addition to the food supply.

Let me note, by the way, that we have virtually solved the problem of providing supplies of flour, pastry, and macaroni items, as well as vegetable juices, vegetable oil, margarine, and eggs. In the very near future we must substantially improve the supply of meat and dairy products, and the assortment of fruit and vegetable products, along with significantly improving its quality.

In agriculture a great deal of attention is being accorded to mastering intensive technologies, creating new species and hybrids, and to the organized conduct of the entire complex of operations. The early grain crops exceeded 35 quintals per hectare, which is significantly more than in previous years. We have done well in fulfilling the plan for requisition of sugar beets and sugar production. This also pertains to sunflower seeds.

In agro-industry we are placing great hopes on contract-type collectives. Nowadays they encompass approximately 80 percent of the persons employed on kolkhozes and sovkhoses. The number of lease-type collectives exceeds 25,000. They have been given about 9 million hectares of arable land, 3 million head of cattle, including 1.2 million cows, one-fifth of the head of swine, and one-fourth of the sheep.

Implementation of the comprehensive program for the restructuring of rural areas has been activated.

[Correspondents] Of course, the problems of providing housing, consumer goods, the development of health care, and the restructuring of the entire service sphere are no less urgent....

[V.A. Masol] We're devoting top priority to solving the housing problem. It is for this purpose that the Housing-2000 Program is being carried out. Before the end of this century we intend to provide every family with either an individual apartment or a private house. In order to do this, we are intensively developing our home-building base and capacity to turn out construction materials. A large portion of the housing is being erected by the economic-management method. Individual housing construction is growing at an accelerated pace. We are extensively engaged in the practice of creating young people's housing-construction cooperatives, as well as planning-and-construction associations.

In health care we obviously have common troubles. The principal reason for its lamentable status is the insufficiency of budgetary allocations. We're spending an insignificantly small amount of money on health care. Nevertheless, despite the still meager resources, we're trying to find the funds to strengthen the treatment base and train skilled staff personnel. After thoroughly analyzing the status of medicine, we have come to the conclusion that the top-priority trend in health care should be placed on preventive work. We've recently worked out a comprehensive program for preventing diseases and forming a healthy life style for the period until the year 2000.

As to increasing the production of consumer goods, we are lagging substantially behind the other union republics. In order to correct the situation, a great deal of work is planned for restructuring the heavy-industry enterprises and strengthening the material-and-technical base of the principal consumer-goods production sectors. Before the end of the next five-year plan we plan to construct or renovate more than 100 enterprises engaged in producing clothing and footwear; more than 60 enterprises will be modernized on the basis of imported equipment.

[Correspondents] Problems of ecology have also evidently become exacerbated in the Ukraine. What is being done specifically to restore the health of the environment?

[V.A. Masol] Let me speak frankly: the situation with regard to ecology is quite complicated. And this has been caused, above all, by the fact that the technogenic loads have sharply increased, since as much as one-fourth of the country's industrial and agrarian potential is concentrated in our republic. In industry the Ukraine accounts for 47 percent of the All-Union mining of iron ore, more than a third of the steel and rolled metal, and a fourth of the coal mined in the USSR. Likewise affecting the ecological situation is the high degree of the territory's agriculturalization, the dense transportation network, and the presence of many industrial cities.

In recent times we have been attempting to correct the situation. We have succeeded in lessening certain unfavorable tendencies, and here and there even overcoming them. Over the period of the last three years, despite the constant growth of production, we have reduced the fencing-in of fresh water by 3 billion cubic meters. Under the conditions of this republic's water shortage, that's quite a bit. A great deal of work is being conducted on recultivating ruined lands. The amounts of harmful emissions into the atmosphere have been reduced somewhat, but the ecological situation still remains quite complicated in many cities.

We recently approved a program for restoring health to the air basin, especially in large cities. The main thrust in this program is to sharply reduce the harmful emissions from automotive transport.

But, of course, the Chernobyl accident became a great common disaster affecting all of us. We're profoundly grateful to all the Union republics, including the peoples of Kazakhstan, for their fraternal aid in eliminating the consequences of this catastrophe. We must again review all plans and designs from the viewpoint of ecology. Losses from the accident at Chernobyl were enormous. Suffice it to say that 190,000 hectares of land had to be taken out of the national-economic circulation. During a two-year period almost 11,000 farmstead-type homes, 1500 apartments, and many social-type facilities were built in Kiev Oblast for the evacuees.

We are now working to make sure that the transition is made in the sphere of land utilization from administrative to predominantly economic methods of running things. The following task has been assigned: with the help of the new economic mechanism, to make the protection of nature advantageous for every enterprise and for every working person.

[Correspondents] Democratization has opened up room for people's national self-awareness to grow. At the same time, problems of inter-ethnic relations and problems of developing a national culture have also been revealed....

[V.A. Masol] The successes achieved during the years of the Soviet regime in solving the nationality problem are indisputable. Nevertheless, as noted in the CPSU's draft platform on nationality policy under present-day conditions, the dynamism and successes which characterized the initial phase in the formation of our multi-national state were essentially lost and interrupted by the departure from Leninist principles during the following decades.

We have provided an honest and principled evaluation of the deformations in the nationality policy and their consequences. Taking this experience into account, we have adopted practical measures aimed at consistently implementing the Leninist principles of national construction. We wish, first of all, to create an integrated concept of the development of the Ukrainian people's spiritual culture. It will consist of a comprehensive program for developing the Ukrainian national culture for the period to the year 2005, a plan for which is now in preparation. Also provided are measures that will allow us to preserve and multiply the cultural potential, to provide for the multi-faceted development of the Ukrainian language and literature, as well as all types of art and folk creativity.

A widespread public resonance was evoked by the founding in our republic of the Society for the Ukrainian Language imeni Taras Shevchenko, which set as its principal task assisting in the development of the native language, as well as forming a feeling of love for the Ukrainian language and culture. In order to improve patriotic and international education, the Druzhba republic-level, cultural and educational center was founded. We intend to open centers in all oblasts.

Legislation is being improved concerning matters of national relations and the development of national cultures. UkSSR Draft Laws and additions to the UkSSR Constitution are being prepared on granting Ukrainian the status of the state language, along with fully ensuring the principle of the national-Russian bilingualism, the free development and functioning of the languages of the national minorities living on the territory of our republic.

Like Kazakhstan, the Ukraine is a multi-national and multi-lingual republic. Members of more than 100 nationalities live here. We are concerned that all of them have the opportunity to realize their national-cultural aspirations, particularly in the sphere of education, folk creativity, and the creation of focuses of culture. In places where national-ethnic groups live compactly 210 schools are already in operation with instruction being given in the appropriate languages. More than 450 departments for studying the languages of the national minorities have been opened in this republic's educational institutions.

Of course, there are also problems in matters of inter-ethnic relations. In solving them, we proceed from the point that each person, no matter what nationality he may belong to, should feel himself to be a citizen with equal rights everywhere. In this regard, the example of the more than 7,000 Kazakhs living in the Ukraine is indicative. Of these, 42 have been elected as deputies of oblast, city, and village soviets. We are also striving to create favorable conditions for study in the Ukraine by Kazakh as well as other students. At VUZ's where 600 students from the fraternal republics are enrolled there are functioning Kazakh vocal and dance ensembles.

Life is rich with many bright manifestations of friendship between peoples, the roots of which go back to the distant past. We are proud that the great son of the Ukraine—T.G. Shevchenko—stood at its sources.

Contacts between the Ukraine and Kazakhstan in the field of culture, as well as economics, are developing fruitfully; the foremost place in this process undoubtedly belongs to such a form of cultural exchange as the Literature and Art Days. Last September the Days of Kazakh Literature and Art were held successfully in the Ukraine. Now we have prepared with great responsibility for the Days of our literature and art in Kazakhstan. I'd like to wish the peoples of fraternal Kazakhstan great successes in solving their complex socioeconomic problems.

AGRO-ECONOMICS, POLICY, ORGANIZATION

Preparation of Law on Leasing

Improvements in Laws On Leasing Suggested

904B0022A Moscow VESTNIK AGROPROMA in
Russian No 36, 1 Sep 89 pp 2-3

[Article by V. Gusakov, matriculant for doctor's degree, All-Union Scientific Research Institute of Agricultural Economics: "What Should the Law On Leasing Be Like?"]

[Text] The ukase of the Presidium of the USSR Supreme Soviet entitled "On Leasing and Lease Relationships in the USSR" has already been in operation for several months. Beyond any doubt, this document has laid the foundation for competent and dynamic development of the diverse forms of organizational-production relationships, commencing with an individual peasant farm and ending with state and cooperative enterprises and their associations. Nevertheless, the ukase has not solved all of the problems that have accumulated, problems associated with lease relationships. This is why many are resting their hopes with the law on leasing which is now in preparation.

Our readers are turning to the editorial board with recommendations and changes concerning the status of this future legal document.

Let us hear now from V. Gusakov, a matriculant for a doctor's degree at VNIESKh [All-Union Scientific Research Institute of Agricultural Science]:

The ukase entitled "On Leasing and Lease Relationships in the USSR" is the first legal document published over the past decade that touches upon the problems of ownership. And it would be wrong to expect that it would examine all of the peculiarities and nuances associated with the development of leases in actual practice. This is why, at the present time, during the period devoted to preparing the law on leases, I believe that we should take into account the experience accumulated in the development of lease relationships and analyze the status of the existing ukase. This will make it possible to prepare a thoroughly considered and weighed legal document.

It is believed that a declaration with regard to increasing the responsibility of leaseholders for achieving high final results should ideally be avoided in the preamble to the law. This thought was borrowed from the arsenal of old administrative methods. The economic methods and levers are called upon to display such responsibility and interest under the new conditions. Moreover, as experience has shown, an important reason why the kolkhozes and sovkhoses failed earlier to raise their production volumes and work efficiency lay in the orientation of plans handed down from above towards a maximum economic effect, plans which were not always supported

by the resources allocated. Thus the plans turned out to be unrealistic. Any economic executive is aware that it is possible to produce as much as the available resources and means will allow.

Production maximization without taking into account the true factors involved always results in an exhaustion of the production potential. It is no accident that experienced specialists always base their optimum production level upon management. Its optimization attaches stability to the economic system, as well as the required dynamics and balance for its development and it strengthens the production-potential base of an enterprise.

In the second point of the ukase, it is stated that leaseholders can be state organs or representatives to the USSR Council of Ministers or to a union or autonomous republic. However, many scientists and practical workers believe that within the country there must be one master for the land and other means of production—the people and in the form of fully competent representatives—soviets of people's deputies. During the March (1989) Plenum of the CPSU Central Committee, emphasis was also placed upon the fact that the soviets of people's deputies and organs of Soviet authority must possess real and not proclaimed rights. To place them under the control of administrative organs—departments and ministries—is tantamount to deliberately assuming retention of the administrative-hierarchical system presently reigning over commodity producers, as well as strict control and command methods. The soviets of worker's deputies permit a departure from administrative dictates and this must be recognized in a legislative manner. The power must belong to them. Thus, from a logical standpoint lease relationships should be controlled and regulated by the USSR Supreme Soviet, which from a legislative standpoint alone can prevent violations and distortions and create the conditions required for the establishment and spread of new forms.

The system for regulating lease relationships is defined in the ukase. In particular, it is stated that leaseholders can be kolkhozes, sovkhoses, various enterprises, organizations and individual executive agents. But in the process it is not stipulated that the kolkhozes and sovkhoses are not owners of land or water and other resources. They are held in the status of leaseholders of land, in like manner as working peasant farms. And they are not authorized to wilfully transfer land on the basis of a second lease without the consent of the true owner of the resource—the soviets of people's deputies.

If it is assumed that the kolkhozes and sovkhoses received such authorization from the soviets, then in such a case the sub-leaseholders (intraorganizational leasing and contractual collectives and individual users) must make a lease payment to the kolkhozes and sovkhoses, not in the full amount but only a portion of it, a payment which will compensate for the enterprise's expenses for improving the land. The principal part of

the payment, similar to a tax on income from economic operations, must be assigned to the budget of the soviets.

When mastering an intraorganizational lease or a sub-lease, the danger exists of voluntarism being manifested by the leaders and specialists of enterprises and unjustified restrictions being imposed upon commodity producers in selecting their operational direction, establishing their production tasks or defining that portion of their income to be used for consumption. Numerous incidents involving the suppression of leases indicate a need for more thought to be given to this process. Through fault on the part of administrative workers, a lease may be authorized or prohibited, executive agents may be assigned unsound tasks and not only surplus product but also a portion of that which is needed may be taken away from leaseholders, thus effectively cutting back their wages. In many areas, the administrative staff appears as an obstacle in the path of progressive changes.

The law should clearly define the system to be employed for an intraorganizational lease, the norms for regulating a sub-contract should be included and such concepts as "property," "possession" and "use" should be clearly defined.

Actually, in establishing a lease payment for land and taking into account its quality and location, willingly or unwillingly we recognize the need for land value and price. In introducing the practice of purchase-sales of the means of production (fixed and working), it is hardly proper to exclude from this a land list. If after complete payment for value, all means of production become the property of the leaseholder, then the question might well be asked: why cannot this be extended to land, if not completely then at least partially, by assigning it for example for permanent use? Such practice is employed for example in the case of private plots, the use of which is not limited by periods. A breakdown between the right of management and ownership can severely restrain production efficiency and attach to labor a temporary business-like character.

The establishment of prices for land will reduce the claims of many large agricultural enterprises for an expansion in their land utilization. It is no secret that while utilizing their land in an insufficiently efficient manner and at times even handling it in a barbarian fashion (neglect, contamination and others), the kolkhozes and sovkhoses nevertheless are continuing to hold onto vast areas and in this manner they are causing irreparable harm to the state.

In my opinion, one point of the ukase, in which it is stated that peasants can be presented with tracts the dimensions of which are established in conformity with the legislation of union republics, is open for discussion. Let us reason as follows: does it make sense to restrict the size of tracts in a directive manner? The size of a tract of land in each specific case, similar to production volume, can be limited only by the potential of a peasant, his

individual labor and by the labor of able-bodied members of his family who have voluntarily expressed a desire to engage in peasant work, by the availability of material resources and funds, by taxes and a lease payment, by the prices for agricultural products and by demand and saturation of the market. That is, economic levers and cost accounting relationships and stimuli and not administrative methods must be placed in operation.

Appropriate conditions must be created for those who wish to engage in peasant work. For it is precisely with the peasant farms and their associations that the hopes for enlivening the agrarian economy and providing it with diversity and competitive stability are associated to a large degree. Thus a need exists for legislative measures directed towards the formation of conditions for the normal functioning of working peasant farms and their productive cooperative associations and the formation of a network of service cooperatives, for the processing and sale of products and for the financing and crediting of private and family peasant production. This will make it possible to avoid a monopolistic influence on the producers of state service and processing enterprises and organizations and to raise both systems (state and cooperative) to a qualitatively new level, one which will satisfy the diverse requirements of commodity producers.

Unfortunately, when preparing the ukase on leasing it was not possible to avoid certain administrative intonations that infringe upon the interests of peasant farms. Thus, in Point 9 it is stated that in the case of an intraorganizational lease the question concerning a change or dissolution of an agreement is resolved by the council of a labor collective. However, it often happens that the councils of labor collectives include many individuals who carry out the interests of the administration. They can scarcely endure seeing a public (and often backward) production operation standing alongside a leading and efficient peasant farm. It is believed that only soviets of people's deputies can be masters of the situations on their territories.

In my opinion, the freedom and independence of a lessee must not be limited by the conditions of an agreement or by the interests of the lessor. The timely and complete delivery of a lease payment for land and taxes, taking into account the profit obtained, must release a peasant completely from any and all subjective instructions and orders, provided his work is not in conflict with the norms for socialist management.

The future law should reflect such important aspects as the regulation of rights when transferring a lease agreement over to another party, reimbursement for expenses sustained, the system to be employed for the formation and development of a network of cooperative service organizations and others. The problems concerned with the establishment of peasant farms based upon family and allied labor collectives and their associations must also be touched upon. The specifics of agriculture must be taken into account on a more extensive basis.

Legal Problems Interfere With Implementation of Leasing

904B0022B Moscow VESTNIK AGROPROMA in Russian No 40, 29 Sep 89 p 2

[Article by I. Kostik, scientific worker and Candidate of Legal Sciences at the All-Union Scientific Research Institute of the USSR Ministry of Internal Affairs: "Legal Outlines for an Intraorganizational Lease"]

[Text] In the system of measures for improving production relationships within the APK [agro-industrial complex], greater importance is being attached to leasing. A draft law on leasing and leasing relationships is in preparation. However, a need exists for the scientific development of the entire complex of legal problems associated with its implementation.

Intraorganizational leasing is being employed rather extensively. But it has not produced the desired results within the framework of the existing economic mechanism of the APK. This is apparent from the growth in prices at kolkhoz markets compared to the level for last year. Rather convincing in this regard is the fact that the labor productivity of lessees and the cropping power for grain crops and potatoes in leasing subunits in a number of oblasts, krays and autonomous republics of the RSFSR have turned out to be lower on the whole than at kolkhozes or sovkhozes. Nor has the introduction of leasing relationships brought about any noticeable reductions in losses, shortages or in the embezzlement of agricultural products.

One reason for this—serious flaws in the legal regulation of leasing relationships. The radical economic reform signifies a forward step taken in the legal establishment of new economic mechanisms. The legal approach must be based upon the essence of the normative system that regulates all aspects of intraorganizational leasing.

Almost 21,600 kolkhozes and sovkhozes are presently employing leasing principles in their practical work. Leasing relationships are being employed most extensively in Kazakhstan, the Ukraine and in Voronezh, Orel, Tula and other oblasts of the RSFSR. The weak aspects and shortcomings of intraorganizational leasing stand out rather clearly in all regions in which it has been mastered in an active manner. Many of these factors have turned out to be typical and common in nature.

The principal document regulating the relationships of a lessor (sovkhoz or kolkhoz administration) with lessees is a lease agreement. It is usually concluded for a brief period, at best for 5 years. The actual agreement, in terms of both the lease period and also the amount of the lease payment, can be changed unilaterally by the administration. Quite often the agreements do not set forth the specific conditions for material responsibility on the part of the administration or the lessee. The farms retain the function of planning the principal product nomenclature and production volume for the leasing subunits.

As a rule, a lease agreement does not transform a lessee and lessor into equal partners who accept mutual obligations and mutual economic responsibility based upon commodity-money relationships. The administration of a farm unilaterally dictates the conditions of an agreement and actually bears no responsibility for any violations of the agreement. At times, this absence of responsibility in favor of the lessor is spelled out in the agreement itself. Indeed the leaders of a farm can not always supply the lessees with all of the needed resources (for example, the supplying of fuel, spare parts and mineral fertilizer).

The lease contract being employed in managerial practice is a special purpose lease that calls for a farm administration to issue a production program to collectives of lessees. This is a typical feature of existing lease relationships. The anti-expenditure mechanism is mastered more rapidly in lease collectives, however a lessee does not truly become the master of production organization or of its results. The only source for increasing his income is labor intensification by extending the working time limits beyond the limits set forth in the norms for labor legislation and by lowering material expenditures. It is by no means an accident that the greatest results from a lease contract are achieved on low profitability and unprofitable farms, where the production expenditures are high and there are more non-productive expenses.

The planning of production costs in the form of accounting prices infringes upon the interests of leasing subunits and leaves room for manipulating these prices in the interest of creating a reserve for liquidating losses from economic operations in other subunits. But a lowered accounting price level, at which the economic relationships between a farm and leasing collectives are held, not only reflects a desire on the part of the administration to transfer reimbursement for a portion of the losses caused by mismanagement to the shoulders of the lessee. Quite often the leadership of farms has not other levers available, since it must implement plans for the production of goods that were issued at a higher level not only without taking into account the cost accounting relationships but also without considering the conditions and economic obligations.

Because of the above, it turns out in actual practice that a lease agreement is a formal document that does not affect the economic relationships between workers and an administration. A slightly improved conventional contract, with retention of the traditional system of administrative subordination, is being issued in all areas as a lease contract.

Any other development of relationships can only summon forth resistance on the part of a farm administration and this is borne out by impressive objective factors. Despite political appeals and active publicizing of leases, the system of planned state purchases, transformed into state orders, has not been abolished. Nor has anybody abolished the dependence of a kolkhoz or

sovkhoz administration upon the party, soviet or economic organs of administration.

Thus a lack of desire or maliciousness on the part of farm leaders or specialists cannot be blamed as the reason for a slow-down in the use of intraorganizational leases. There is an objective economic dependence which produces negative results. A slow-down expresses a lack of conformity of the ideals of leasing to the existing organizational-legal forms for management. This is the result of an attempt to accustom leasing relationships to the command-administrative system for the management of agricultural production.

The effect of a slow-down was initially embodied in the very legal regulation for leasing relationships. The normative documents which regulate an intraorganizational lease only proclaim a partnership in the management of farms and lessees, while actually strengthening the dominant status of a lessor. All of the existing recommendations for a lease contract and the normative documents, including the ukase entitled "On Leases and Lease Relationships in the USSR," were developed in a manner such that the administration of farms and lessees operate under unequal economic and legal conditions. Moreover, their sphere of regulation does not go beyond the framework of production relationships on farms and hence the documents themselves do not restrict the influence of the commando-administrative system in the APK [agro-industrial complex]. In view of this fact, an intraorganizational lease does not have a legal basis capable of serving as an instrument for implementing the party's agrarian policies.

It is by no means an accident, despite the extensive spread of intraorganizational leasing, that the production of agricultural products and labor productivity are increasing at clearly low rates and that the anti-expenditure mechanism is operating poorly. Integration and cooperation among lessees are being carried out by a kolkhoz or sovkhoz, which is incapable in its operations of selling products, forming a wage fund or planning socio-economic development. Thus the "integrator" cannot avoid coercion or restriction of the rights of a lessee. Beyond any doubt, the sources for a slow-down are to be found in the organizational-legal principles of farm operations. And the principles of complete cost accounting for economic independence and self-government, in the form of an intraorganizational lease, cannot be realized owing to the absence of farm independence and also because cost accounting has not been disseminated throughout the entire network for the movement of agricultural products from the producer to the consumer.

In order for a genuine and zealous master in the form of a lessee to be integrated with a collective farm on the basis of socialist ownership, in order to motivate an individual by strengthening his status in production relationships and in order to achieve true democratization not only of the economy but also of society on the whole through a lease contract, then the kolkhozes and

sovkhozes must be given the right to determine independently their production program and to accept a state order exclusively on a voluntary basis. Until this is done, there will be no return from capital investments and the state will not realize the results expected.

As mentioned by M.S. Gorbachev during the March (1989) Plenum of the CPSU Central Committee, we must seek out the sources of the present critical situation in the rural areas and in the country's food supply and find methods for correcting it. In view of the fact that the legal regulation of leasing relationships must reach a level which predetermines a radical change in the existing intraorganizational relationships, it means very little to state that in previous years the agrarian policies were implemented without taking into account the need for improving the production-economic relationships. Importance is attached to soberly evaluating the inability of the entire administrative structure and the RAPO [rayon agro-industrial association] to change the situation for the better.

It is believed that the shortcomings in the practice of administering agricultural production are expressed most clearly in the tremendous losses in products produced. Experience underscores the fact that planning from below should never be excluded from the sphere of production relationships, as is being done in the command-administrative system. The increasing requirements for converting over to planning, based upon the criteria for protecting the products produced, could not be realized by the USSR Gosagroprom system. The shortcomings in the practical use of the RAPO authority derived from the fact that these organizational forms of administration were mechanically combined with obsolete and out-of-date methods for planning "from the level achieved," thanks to which the most important channel for losses in agricultural products—lack of development of the production and social infrastructure within the APK framework—was reproduced in the branch plans for enterprises and organizations that function on territory lying within the jurisdiction of rayon soviets. These organs of power did not possess and do not possess real authority in the area of planning. Even the present search for new organizational structures within the APK is still not associated seriously with the authority of the rayon soviets. For its part, the oblast and kray soviet also did not possess any real potential for exerting a correcting influence on the economic activities of APK enterprises, in the interest of exerting their authority for ensuring protection for agricultural products.

The impression has formed that we are still not sufficiently aware of the harm being caused by the absence of an all-round approach for carrying out the reform in economic relationships within the APK. The functions of the disbanded USSR Gosagroprom have not been liquidated or changed, but rather they have simply been dispersed among the remaining central economic departments.

Work is going forward in connection with the creation of new integrated agro-industrial formations: combines and associations. But old approaches are being retained in the new organizational structures. And this means that, one way or another, mismanagement in the processing industry is being covered by the operational results of the kolkhozes and sovkhozes. Lease relationships in the sphere devoted to the processing of agricultural products are taking hold in an unjustifiably slow manner. In this branch, where the losses for several of its types of products reach 30-50 percent, only a few dozen enterprises are operating under leasing conditions. In the face of a very low level of mechanization for manual labor, which is on the order of 40-60 percent for some branches and production operations, the modernization and replacement of obsolete and worn out equipment are being carried out in an extremely slow manner.

Under these conditions, the radical economic reform requires detailed reinforcement in the law governing leases and leasing relationships, in other laws which regulate production relationships and in the principles for rejecting the system of non-economic coercion of farms and for establishing guarantees for converting over to APK administration based upon cost accounting. The expenditure tendencies in the APK can be halted only by an administrative mechanism which operates through the interests, independence and responsibility of collectives, an equivalent payment exchange and self-control over expenditures, which combines democratic principles with the centralized regulation of production. Thus it would be ideal to establish simultaneously a complex of legal measures which would be capable of ensuring success in intraorganizational leasing. It is believed that the following is necessary in order to accomplish this:

- approve a lease form for the possession, use and disposal of land on a general basis. Towards this end, the law governing leases and leasing relationships must establish the fact that kolkhozes and sovkhozes lease the land from its owners—the local soviets;

- the parameters for a lease agreement between a farm and a local soviet must be clearly established in the law governing leases. The right of a local organ of power to impose a production program upon a farm using administrative methods must be eliminated. The system of judicial procedures as outlined in the law must provide a guarantee that the farms will operate under conditions of complete cost accounting. The law must guarantee that a farm will be able to select its partners and the forms for the sale of its products;

- in view of the fact that the old approaches for planning agricultural production cannot be changed without first establishing the principle of voluntariness in the acceptance by a farm of a state order for the sale of agricultural products, the practice of assigning state orders to farms through the allotment of planned tasks to the rayons must be abolished;

- the law must not proclaim but rather it must establish the principles for converting over to economic methods of management and in the absence of incomplete decisions and references to subsequent governmental regulation of specific problems—through state regulation of the limits for planned (purchase) prices and tax rates and the presentation of an interest rate for bank credit in order to encourage the production of the agricultural products needed for the state. In the interest of the consistent implementation of this principle, work must commence immediately on the preparation of a law governing the principles of state planning for economic and social development in the USSR. A review should be undertaken of the work being carried out on this draft law as a condition for determining the criteria for changing the functions of ministries and departments, including those of a general economic nature;

- to ensure inclusion in the laws governing leases and local self-government the right of local soviets to turn over the land of low profitability and unprofitable farms on a lease basis directly to the collectives of brigades, teams and families which could then, at their own discretion, cooperate on a voluntary basis or form leaseholder unions, including within the limits of farms reformed by local authorities;

- importance is being attached at the present time, in the laws governing leasing, enterprises, cooperation and local self-government, to establishing those principles of planning which eliminate the command-administrative system. "Equally tense" plans must not be issued from the center, nor should all-encompassing so-called scientifically sound economic norms be established. The goal of feeding the country, pursued unsuccessfully using these measures, is practicable only with complete cost accounting, freedom for the commodity producer and a thorough taking into account of the material interests of the labor collectives by the collectives themselves;

- the primary leasing subunits of farms must be recognized as socialist commodity producers and as farms for means of production and products produced and for all monetary earnings. The law must also contain adequate guarantees for protecting the status of the primary leasing subunits as independent cost accounting units, which are establishing their own interrelationships with partners for economic operations on a contractual basis.

The law governing leases should establish the principles for the wages of farm leaders and specialists from the cost accounting income of lessees, as clearly expressed in the system of judicial procedures of the given law.

In order to ensure the effectiveness of an intraorganizational lease, substantial importance is attached to strengthening in the law the judicial rules for the establishment of accounting (contractual) prices. A legislator must not yield this important aspect of cost accounting

to departmental instructions. Legal guarantees are needed to ensure that these prices will on the one hand ensure material interest by the leasing subunits in achieving efficient use of production resources and, on the other, implementing the cost accounting principles under conditions of self-recoupment and self-financing.

The task of achieving complete cost accounting operations among kolkhozes and sovkhozes also assumes the legislative establishment of lease relationships throughout the entire network of APK enterprises, relationships which will ensure the movement of agricultural products from the producer to the consumer. The relationships between them must be based upon a contract, cost accounting and upon absolute application of the principle of complete and immediate reimbursement for material losses occurring as a result of failure to observe contractual relationships.

The realization in the law on leasing of these positions will define the place and role of lease relationships within the agricultural system and the entire APK on a genuine legal basis, one which will ensure cost accounting that is based upon unity and the interrelationship of economic interests at the level of farms and their primary subunits. If the kolkhozes and sovkhozes begin to live on their earned resources, then Gosplan and other departments will be better able to force them to produce goods in greater quantities, of better quality and with fewer expenditures. And then, in the absence of "concern" on the part of the command-administrative system, the country will be able to purchase the types and quantities of products needed for the establishment of a stable and adequate food fund.

A complex of such legal measures will eliminate the lack of conformity of the ideals of leasing to the existing organizational-legal forms of management, as expressed in the antagonism between a lessor and a lessee. It ensures legal protection for the new method of labor organization, which frees the initiative of workers, it ensures true participation by workers and kolkhoz members in administering production, it provides broad opportunities for displaying independence, enterprise and initiative and for overcoming the alienation of workers from ownership and it confirms the new forms for realizing the rights of an owner through cost accounting relationships and a self-regulating economy.

REGIONAL DEVELOPMENT

Krasnodar First Secretary on Lack of Progress in Perestroyka

904B0045A Krasnodar SELSKIYE ZORI in Russian
No 8, Aug 89 pp 4-11

[Article by USSR People's Deputy I. Polozkov, first secretary of the Krasnodar Kray CPSU Committee: "Concerning Food Sufficiency"]

[Text] The process of revolutionary renewal of Soviet society, which was started on the party's initiative, has entered a new, practical stage. The political and economic reforms are deepening, democratization of our life is expanding, and the activity of all social forces is growing. The Congress of USSR People's Deputies, which opened an essentially new, brilliant page in the history of our motherland, was a persuasive demonstration of real perestroyka.

Many socioeconomic problems are concentrated today at the focus of perestroyka. But the most significant of them is the food problem, which was recognized to be the sorest point of our economy by the 19th All-Union Party Conference. It was to solving this problem that the March (1989) CPSU Central Committee Plenum was dedicated. It developed a new agrarian policy, one corresponding to the period of perestroyka. Its implementation is aimed at raising the agroindustrial complex to a qualitatively new rung of development in quick time.

The country's food supply is growing. But it is unable to keep up even with population growth. We are behind many developed countries in per-capita consumption of the principal foodstuffs. Measures implemented thus far to elevate agriculture have resulted in certain positive changes, but they have not had a systemic and integrated nature, and therefore they have not had a significant influence on stable development of the country's agriculture.

I

Around 20 billion rubles, or 72 percent of capital investments of the entire period since the October Revolution, have been invested into our kray's agrarian sector in the last 20 years. However, the significant sums were frittered away on the creation of the offices and bases of Selkhoztekhnika [Agricultural Equipment Association], Transselkhoztekhnika [not further identified], Selenergo [not further identified], MSOs [interkolkhoz construction organizations] and many other organizations whose activities not only failed to promote an increase in the earth's life-giving forces and improvement of the peasantry's working conditions, but frequently even worked against them.

All of this brought about the spending mentality and failed to provide an adequate return. In 20 years, gross production in the kray increased by only 43 percent. Moreover while in the 9th Five-Year Plan the increment was 17 percent, it was only 7 percent in the 10th, 11 in the 11th and around 6 in the present. As of the beginning of the 1980s the profitability of kolkhozes and sovkhozes decreased from 49 to 13 percent. The output-capital ratio plummeted. A parasitic psychology entrenched itself, and it became no longer shameful to live on the dole.

For example the Rossiya Kolkhoz in Abinskiy Rayon is operating normally, and it is living on its own money. Annual agricultural production here is 14,300 rubles per person, and profitability was raised to 57.5 percent.

In the meantime, the Rodina Kolkhoz of the same rayon has been in debt for a long time. Its total loans have exceeded 8 million rubles. It is only owing to subsidies that it is able to cover its losses and bring its profitability up to 17 percent. Labor productivity is half that of its neighbor. At the same time the average monthly pay of the chairmen and main specialists of both kolkhozes is the same. Nor are production results having an effect on the earnings of machine operators and milkmaids, whose monthly incomes are 243 and 252 rubles respectively.

The same situation is observed in a number of kolkhozes and sovkhozes of Beloglinskiy, Belorechenskiy, Novopokrovskiy, Teuchezhskiy and Shovgenovskiy rayons, and in Goryachiy Klyuch and Krasnodar, where despite millions of debt, average monthly pay is not any less than in strong farms living on earned money.

The scale of dependency is also illustrated by the fact that 250 kolkhozes and sovkhozes and over 170 processing and service enterprises have accumulated 740 million rubles of deferred indebtedness to the bank. Extinguishment of this debt would require 30 years at the present rate. Over a hundred farms are unable to conduct expanded reproduction without subsidies, while 57 processing, construction and trade enterprises and organizations of the agroindustrial complex are operating at a loss. And this is just in the Kuban!

Of course, agricultural production in the kray is not marching in place. This made it possible to significantly increase the volume of agricultural products delivered to union republic funds, and to raise per-capita consumption of meat and meat products by 41 percent, milk and dairy products by 4, eggs by 65, sugar by 27 and vegetables by 6 percent.

However, we fall short of sensible nutrition norms by 11 kilograms of meat, 97 of milk, 21 of vegetables, 8 of fruits and berries, and 24 kilograms of potatoes. We are behind both the republic and the union level in relation to certain food products.

The people are often perplexed by the extremely narrow assortment of food products and the sharply pronounced seasonality of the supply of fruits and vegetables. Shameful it may be to admit this, but the stores of our southern kray have not offered fresh cucumbers, radishes, parsley, sorrel, lettuce and other greens for sale for over half a year. And in the meantime large amounts of heat are dumped by industrial production operations into the atmosphere in every city. The low culture of trade cannot withstand criticism.

The agrarian policy developed by the March CPSU Central Committee Plenum is directed at satisfying the population's demand in correspondence with sensible dimensions of consumption as early as in the next five-year plan; this will require increasing production of foodstuffs by a minimum of 26-30 percent.

The integrated program to raise food production in our kray is based on fundamentally new production relations

and on administrative restructuring in the agroindustrial complex, on scientifically substantiated farming and animal raising systems, on measures to reconstruct and reequip processing industry, and on radical measures for social improvement of rural areas. In addition to increasing deliveries of foodstuffs to union republic funds, we are to raise the level of local supply to scientifically substantiated nutrition norms.

With regard for this, food production is to increase in our kray by not less than a factor of 1.3 by 1995. In this case, a decision was made to increase production of grain, expressed in terms of accounting weight, to 9 million tons, oil crops to 750,000 tons, sugar beets to 6.6 million tons, potatoes to 650,000 tons, vegetables to 1.25 million tons, fruits and berries to 600,000 tons, meat to 1 million tons, milk to 2.8 million tons, and eggs to 2.3 billion units. These indicators are 10-40 percent higher than the mean annual level of the 11th Five-Year Plan.

By 1995 we plan to increase the yield of grain and leguminous crops to 45 centners per hectare, sunflower to 25, sugar beets to 350, vegetables to 150, potatoes to 110, and fruits and berries to 100 centners, and there are plans to raise the per-hectare yield of feed crops by a fourth.

Especially complex tasks face stock breeders. In order to attain a farm production volume that would ensure fulfillment of the present, rather sizable state order, even assuming it does not increase, which is improbable for Krasnodar Kray, and to achieve a local supply rate of 400 kilograms of milk per capita, calculations show that we would need to raise the milk yield by 400 kilograms by the end of the next five-year plan, while simultaneously increasing the cow herds by 100,000 head in all categories of farms. Another way would be to get 4,300 kilograms of milk from each cow in the existing herd. To support the meat program we would need to raise the average daily weight gain by not less than a third. Let me note in passing that it is extremely important for us to double production of organic fertilizers.

Considering the provisions of the new agrarian policy, and heeding the opinions of kolkhozes, sovkhozes, processing enterprises, leaseholders and private farms, we need to organize extensive development of similar programs for increasing food production and improving food supply to the population in every farm and rayon.

Having generalized proposals submitted by local organizations, we intend to approve a kray-wide integrated program for increasing food supply at one of the next sessions of the kray's Soviet of People's Deputies. This program will become the basis for the work of the kray party organization and of soviet, public and business organs in fulfillment of the decisions of the March (1989) CPSU Central Committee Plenum.

The March Plenum defined fundamental transformation of economic relations in the countryside as the key issue

of modern agrarian policy. Radical restructuring of property relations and of production relations was raised for the first time to primary importance among the ways to solve economic problems. This marks a change in the party's views on development of the whole economy. Unless this problem is solved fundamentally, neither capital investments nor new equipment and production procedures will have their needed impact.

What this means is fully realizing Lenin's idea of activating the personal interest of peasants, decisively overcoming their alienation from property and clearing the way for independence, initiative and socialist enterprise. He who produces must become the proprietor of the land and of all other production resources.

The time has come for every collective to live only on earned assets. This will motivate higher production at less cost. Interested demand for progressive scientific developments, production procedures and varieties, and for progressive experience, which has always been treated among business-minded people as money in the bank, will increase several times over.

How is this to be achieved? The most effective and fastest way, the party Central Committee emphasizes and life assures us, is cost accounting, contracting and leasing, and real equality in the forms of socialist ownership and in the forms of management.

This is not the first year that the kray party organization is working to transform economic relations in the countryside. Leasing relations are already being introduced by around 5,000 production subdivisions and over 500 kolkhozes and sovkhozes. A third of the farmland, around 40 percent of farm animals and almost a billion and a half rubles' worth of productive capital have been leased. Assimilation of contracting forms of labor organization is continuing.

There are many good examples of the work of leasing collectives. Among them are the Zhuk, Buri and Ovsienko families from the Kanev Kolkhoz imeni Lenin, which harvested 350-400 centners of onions per hectare, the Popov team from Beloglinskiy Rayon, which attained milk yields of almost 5,000 kilograms, the Sharokhin family from Primorsko-Akhtarskiy Rayon and the Karkotsenko family from Slavyanskiy Rayon, which attained average daily farm animal weight gains up in the kilogram range, the Sukhovtsev and Chumanov families from the Pobeda Sovkhoz in Temryukskiy Rayon, which gathered 115-130 centners of grapes each, and many others.

I think that the most important result of what has been done is that while in 1985 there were 44 farms operating at a loss, there was not a one in 1988, a year which was not any better in the Kuban.

But were we to assess the scale of introduction of leasing relations in our kray today, we would have to say that these are just isolated islands, individual examples. We do not as yet have a mass transition to the new forms of

management. Party organizations, executives and specialists of over a hundred farms are displaying a complete lack of initiative, they are taking a wait-and-see position, and they are letting time slip away.

What are the characteristic errors and mistakes in this area?

First of all, in most cases the incompatibility between leasing as a new socioeconomic phenomenon and the firmly entrenched bureaucratic form of management, which is conservative by its nature, is not accounted for. Everyone is trying to fit leasing into the framework of the old internal structure of the farms and an obsolete system of management.

When the Priazovskiy and Sladkovskiy sovkhozes of Slavyanskiy Rayon converted to leasing on their farms, they did not even change the structure of their production subdivisions. The size of the administrative staff remained the same. The tariff wage system and the practice of paying advances on the basis of piecework norms and rates were retained. And although a purchase and sales contract was signed, the economic relations inherent to this form of operation did not arise. The end result of the work showed that what was going on could not be defined in any way as leasing—it was not even a variant of contracting. Consequently it is no accident that neither farm fulfilled the profit plan last year.

Second, party committees rarely display opposition to executives and specialists who, occasionally misled and more often unable to find their place in the new production relations but continuing to receive sizable salaries, create obstacles to introduction of leasing. Distorting the idea itself, they often attach the leasing label to ordinary payment on a contract basis, and sometimes even to piecework, adding in all kinds of extra payments for individual production operations. What I see as the objective of party organizations is to help specialists realize the irreversibility of the processes occurring in the country today, and begin working in a new way—to take their place in contracting and leasing collectives. Party organizations must display concern for legal protection of executives and specialists adopting and implementing business decisions.

Decisively rejecting as unfounded the divergent point of view that the world level could be attained in farming and animal husbandry without the presence of highly qualified specialists, we are concurrently implementing measures to fundamentally change the professional training provided to graduates of our VUZes and tekhnikums as well as to personnel in the major occupations, and to promote deep mastery of economic knowledge and work skills in the new conditions.

Third, the development of leasing is severely retarded when not all subdivisions of the kolkhozes and sovkhozes but only a few of them convert to it. Such a partial transition brings about an imbalance of interests and leads to failure.

I must also emphasize another widespread error overlooked by party committees—departure from the principles of voluntary formation of contracting and leasing collectives, and failure to observe their optimum size. There are 23 persons in an average leasing collective in the kray, while in Korenovskiy Rayon there are 34, in Tikhoretskiy and Ust-Labinskiy rayons there are 38, and in Sochi there are 40.

We must of course account for the specific conditions, the degree of specialization, technological level and so on. But in any case we must create conditions excluding wage leveling and the possibility for hiding behind the back of a comrade, and conditions ensuring mutual control. For example, there are only 12 machine operators in V. Ya. Pervitskiy's team, which was the prototype of farm leasing and which has already been enjoying fabulous results for over a quarter of a century. This is perhaps the chief reason why the collective is working stably, and why responsibility is not diluted.

We have now embarked upon wide introduction of leasing relations. But frankly speaking the road to leasing has not been easy; it has been very rough. You see, speaking in Lenin's words, initially we wanted to "hook the interest of the peasant" by converting agricultural workers, and primarily executives and specialists, to wages based on gross income. It turned out that it was not all that difficult to "create" high wages for oneself under these conditions. Gross income can be increased by raising prices on products and by planting profitable crops; and there are many more such channels which do nothing to promote growth of agricultural production.

Then we introduced the first model of cost accounting, seeing it almost as a panacea for all of our woes. Until, that is, we became practically convinced that with its rigid wage standards and other forms of material interest, it not only fails to promote release of the individual's creative possibilities and capacities but also inhibits the desire to increase production.

This model failed to withstand criticism, and everyone embarked upon introducing a second cost accounting model. But it was discovered that even it was not without fault. Collectives that had gone over to payment of wages on the basis of the remainder principle began cutting deductions in support of expansion of production, renewal of funds, social improvements and other social expenditures, thus swelling their wages. Numerous cases exist where labor collectives, executives and specialists working on the basis of the second wage model began abandoning the practices of introducing phosphorus fertilizers into the soil and carrying out protective operations against pests and diseases, since under these conditions the amount of profit, and consequently the welfare of the people, was found to be dependent not on growth of yield per hectare and not on the gross food harvest, but on an apparent savings in the expenses of growing the food. But the country needs grain, meat and other foodstuffs, and the interests of the rural laborer must be directly dependent on increasing production of

foodstuffs and raising the productivity of the field or farm. In a word, his interests must coincide with those of the collective and the society as a whole, rather than being concentrated only on obtaining profit, important though it may be.

Having endured these stages, we arrived at leasing, which in the present stage of development of our rural economy is making it possible to achieve the most harmonious combination of the interests of the individual and society, and to stimulate growth of production and of the material interests of the collective. But even leasing must be approached responsibly and thoughtfully.

It is very important not to overlook failures in fulfilling contract obligations chiefly on the part of the administration. There is perhaps nothing to compare them with in terms of their destructiveness and the damage they do to the reputation of leasing. It is often said that leasing is something new, that there are many things which are unclear about it, and that there is little experience with it; but if that is the case, why has the family contract stalled as well? Especially in beet, vegetable, fruit and grape farming, in which the shortfall has become chronic. Nor is it working in animal husbandry in rayons characterized by low indicators.

Take for example Kavkazskiy Rayon, which plays an extremely noticeable role in the kray's economy, and in supplying food to the city of Kropotkin as well. However, in 6 years of introduction of contracting forms of operation in the Kuban, they have not yet reached down to many of the local kolkhozes and sovkhozes. And it is no accident that last year the rayon was able to fulfill the plan for selling vegetables to the state by only 57 percent. And this year only 10 family contracts to grow these products have been signed, while not a single one has been signed in the imeni Kirov, imeni Michurin and Rodina kolkhozes.

The possibilities of the family contract are being poorly utilized to grow vegetables in Abinskiy, Apsheronskiy and Teuchezhskiy rayons, where their yield does not exceed 75 centners per hectare, or to cultivate sugar beets in Labinskiy and Koshekhabl'skiy rayons, and potatoes in farms of Belorechenskiy, Severskiy and Oktyabrskiy rayons and Goryachiy Klyuch, which are harvesting only 25-50 centners of tubers each. These rayons have never fulfilled the plans for purchasing the above-mentioned products in the current five-year plan.

The kray's party organizations are striving to attentively analyze who or what is hindering introduction of contracting and leasing at each farm. Now that the Presidium of the USSR Supreme Soviet has adopted the ukase on leasing and other decrees, there are no longer any external obstacles.

New product purchase prices and rental rates and a new procedure for paying wages out of cost accounting income are being introduced beginning next year. The principles of forming the state order and increasing the

independence of farms in planning production structure and volume and selling their products have been determined. The main thing today is to fully utilize these possibilities in every rayon and farm.

It is important for specialists of the farms, rayon and kray services and scientific research organizations to accept much greater responsibility in this matter. We hope that by the beginning of the next year they will manage to work up the necessary foundation of standards and provide every kolkhoz and sovkhoz with scientifically substantiated recommendations on introducing the new economic mechanism, and that they will propose a number of variants of specific production contracts and calculations, and forms of leasing activity. That is, that they would help the kolkhozes and sovkhozes get leasing under way, and effect a new, decisive transition such that leasing principles would be utilized not just by individual collectives but by all subdivisions, and so that all mutually related cycles would fall within leasing relations. The experience of the Za Mir i Trud Kolkhoz of Pavlovskiy Rayon and the Kolkhoz imeni Kirov of Krasnoarmeyskiy Rayon is a good reference point in this regard; it is being widely publicized and studied in the kray.

The Central Committee plenum posed the task of clearing a wide path for the most diverse forms of business management in the agrarian sector. There is something that must be said in this connection. An overblown notion is going around today that kolkhozes and sovkhozes have outlived their usefulness and that they are incapable of feeding the country. What is ignored intentionally or unintentionally in this case is the fact that for known reasons, the economic mechanism that had been created was unable to fully reveal the potentials embodied within the nature of the collective farm. A mass of examples in which kolkhozes enjoy good production indicators, are profitable, and possess large amounts of their own money even in the grip of authoritarian methods of management, ruinous commodity exchange and tyrannical supply practices, and in which growth of the number of kolkhoz farmers and improvements in villages and farmsteads are becoming the indicator by which the attitude of the people toward their farm is being judged, are discounted.

But if we consider world experience in large-scale agricultural production in developed capitalist countries, it becomes quite obvious that small farms are operating wastefully or they are being transformed into "natural" or "family" farms, in which the farmer receives his principal income not from agricultural labor but from earnings on the side. Concurrently it is the large farms that are becoming increasingly more responsible for the growth in commodity production. This is illustrated well in Anatoliy Slutskiy's article "Facts and Myths," published in this year's 1 July issue of SOVETSKAYA ROSSIYA. Even the experience of neighboring Czechoslovakia, in which the food problem has been completely solved primarily through state farms, should teach us something.

If we consider our own kray, then we would find that among all forms of management, whether we are talking about industry, construction or agriculture, kolkhozes remain the economically strongest.

One of the clear examples is Pobeda Kolkhoz, Kanevskiy Rayon. Its collective of 3,000 workers produces 45,000 tons of grain, 66,000 tons of sugar beets, 4,500 tons of sunflower, 4,800 tons of meat and 16,800 tons of milk each year on 19,000 hectares of farmland. This single kolkhoz provides meat and milk to a city with a population of 40,000-50,000, and grain to a population of 200,000. The profitability of this stably developing farm is 60 percent, it has more than 30 million in unencumbered funds in its account, and the average monthly pay of kolkhoz farmers is 338 rubles. The housing, cultural and personal needs of the people are being met thoughtfully. Need we doubt the principle of organization and the very existence of such a kolkhoz? This question simply never comes up among kolkhoz farmers of Pobeda Kolkhoz.

Nor are any such thoughts entertained by laborers of Ust-Labinskiy Rayon's Kuban Kolkhoz, Krasnoarmeyskiy Rayon's Rossiya Kolkhoz, Novokubanskiy Rayon's Rodina Kolkhoz, and hundreds of other farms. The fact that the leading kolkhozes have not exhausted their possibilities is another matter. They can and must seek ways to attain even higher summits in their development.

But it is the midsized farms that require special attention, self-analysis and concrete actions. Tikhoretskiy Rayon's Kolos Kolkhoz may be included among them. Three or four years ago it carried a debt exceeding 11 million rubles. Changes began when the kolkhoz farmers came to believe the recommendations of the city party committee and elected Communist Aleksandr Andreyevich Khilchuk as their leader. A good specialist, he understood that the situation could be turned around and the farm could be pulled out of its depression only on the basis of fundamentally new production relations. The chairman persuaded the board, the specialists and the entire collective of this.

Fifteen leasing collectives were created out of the brigades, farms, the garage and all other subdivisions; the administrative staff was reduced by 15 persons in this case. Essentially all land, all head of cattle and other production resources were leased out. Leaseholders were granted real independence in determining their numerical size, work schedule and distribution of cost accounting income.

The kolkhoz broadened its ties with private farms. This year over a hundred contracts for raising 800 pigs were signed. Moreover not only kolkhoz farmers but also doctors, teachers and retired persons are fattening them. Subsidiary production operations and businesses are being organized.

A unique association of people joining together into labor collectives, in which the individual is beginning to

recognize himself to be a full-fledged proprietor, is evolving in the kolkhoz. And work has improved. Grain production increased by a third, vegetable production increased by 72 percent, and milk production increased by 60 percent. Cow productivity climbed by 977 kilograms to a figure of 3,357 kilograms. Profitability rose from 9 to 33 percent. The Kolos Kolkhoz paid off its delinquent loans and now possesses half a million in unencumbered money.

Nor are there any obstacles to developing leasing relations in the economic nature of sovkhozes, and especially now that the right to elect labor collective councils and executives has been granted with publication of the Law on the State Enterprise. Democratization has also been extended here to wages, and the tariff system is being replaced by wages paid from cost accounting income. The sovkhozes are essentially adopting the operating principles of kolkhozes. It now depends on the resourcefulness of the executives and specialists and the aggressiveness of party organizations.

Anapskiy Rayon's Rossiya Sovkhoz is creatively utilizing the possibilities that have opened up. Three leasing collectives in vegetable farming and six collectives in animal husbandry and a breeding calf raising cooperative have been created here. Individual and family contracts have taken on great importance: Two hundred twenty-four contracts were signed to grow vegetables, including a hundred by urban residents and workers at health resorts and schools. The number of persons employed in production at the sovkhoz was reduced by 70, and its effectiveness is growing. Thus the productivity of the milking herd has attained 3,565 kilograms of milk, last year production expenses were decreased by 840,000 rubles, and profitability climbed from 5 to 34 percent.

Such examples (there are many of them) show that the objective result of this process is that kolkhozes and sovkhozes, which represent different forms of ownership, are converging to become associations of leaseholders and cooperative workers. And it is the duty of party organizations to promote development of these processes in every way possible. The kolkhozes and sovkhozes must become the principal leasing agents in agricultural production, and they must assume the responsibility of providing leaseholders with the materials and equipment they need, for marketing the products and for developing the production and social infrastructure. It is their job to train the leaseholders, to provide agronomic, zooveterinary and other forms of services, to afford legal protection to primary leasing collectives, and to organize scientific support.

The kray party committee is doing everything it can to support those economically strong farms which take on the unique role of providing bank loans to the weak farms, and which lease part of their land, going as far as annexing farms which have lost their prospects for independent development. A large number of progressive kolkhozes and sovkhozes have already done this.

Agricultural firms, agricultural combines and agricultural shops of industrial and other enterprises are receiving the breath of life concurrently with development of kolkhozes and sovkhozes. The kray already has some experience in organizing them. Agricultural firms have been created out of Kanevskiy Rayon's Pobeda Kolkhoz, Mostovskiy Rayon's Kolkhoz imeni XXII Syezda KPSS, Kurganinskiy Rayon's Zarya Kolkhoz, Korenovskiy Rayon's Mayak Kommunizma, imeni Lenin and imeni Kirov kolkhozes, Otradnenskiy Rayon's Kolkhoz imeni Michurin, Krasnoarmeyskiy Rayon's Rossiya Kolkhoz and Krasnoarmeyskiy Breeding Plant, and Novorossiyskiy Rayon's Abrau-Dyurso Sovkhoz.

The initial experience shows that this is an effective form of management, in which production, procurement, processing, storage and sales of products are brought together in a realistic way into a unified production process. Losses of raw materials are decreasing dramatically, and production is becoming wasteless. Creation of agricultural firms is a dependable means of solving the problem of the territory's self-support.

In compliance with decisions of the Central Committee plenum, the first steps have been made to create peasant farms operating on a leasing basis, especially in regions of fine-contour land use.

Solution of the food problem depends in many ways on processing sectors. However, the new economic mechanism is being assimilated extremely sluggishly in this area. Cost accounting has not reached a third of the workers, and only a fifth of the people are working in contracting brigades. Except for two shops—the corrugated packaging and transportation shops of the Krymsk Cannery, not one of the 300 enterprises has introduced leasing. Only the Krasnodar Poultry Factory, the Tuapse Vegetable Oil Packing Plant and the Medvedov Slaughterhouse of the Kuban Agroindustrial Combine are drafting standards for the transition to leasing.

The kray has begun work in accordance with decisions of the Central Committee plenum to fundamentally reorganize management in the agroindustrial complex, directed at totally excluding authoritarian methods of leadership from above. Agroindustrial combines have been created in four of our rayons, and agroindustrial associations have been created in two. The rest of the rayons have elected agroindustrial association councils supported by hired working organs operating on a cost accounting basis. Producing, processing and service enterprises, rural construction organizations and cooperatives are joining the associations on a voluntary basis. All of them are maintaining their economic independence and their rights as legal persons.

The kray agroindustrial committee has been abolished as an organ of state control. A cooperative association—a kray agroindustrial union—was formed as an organ to coordinate the business relations of enterprises and organizations of the agroindustrial combines in regard to

matters of production, procurement, processing, product marketing, scientific support and external relations. Cost-accounting cooperative state organizations have been created on a voluntary basis to perform technical repair functions and provide construction services.

Now that the transition has been made to regional cost accounting and to self-sufficiency of administrative territories in relation to food, the role of all units of the soviets of people's deputies is growing immeasurably. They have been given the responsibility for placing and fulfilling state orders, and solving all problems concerned with supplying food to the population. The soviets have the right to form new agroindustrial organizations and improve existing ones, and deepen integrative ties between agriculture and processing industry. They set rental rates for every farm, which remain fixed over a period of 5 years, and the maximum retail prices on fruits, vegetables and potatoes. They have been given the responsibility for seeing that land and other natural resources are utilized sensibly, that the rights of leaseholders are protected and that social and cultural services are developed in rural areas. They are also called upon to strictly monitor fulfillment of contracting obligations, and to prevent inflation of prices and rates for services in rural areas.

Political leadership of the entire effort to establish the new system for managing the agroindustrial complex is conferred upon city and rayon party committees. We cannot allow bureaucratization and a return to the old, outdated methods of leadership, we cannot permit ourselves to interfere incompetently in the current affairs of the farms and leaseholders, nor can we ignore attempts to do so by other officials of any rank.

3

In the present stage of perestroyka, constant concern for more effective utilization of the countryside's available potential is acquiring decisive significance. It is impossible to dramatically increase and qualitatively change productive capital in a short time, because this problem is in an extremely neglected state in the country. Power per agricultural worker is 32 horsepower in the kray today. This is more than two times less than required. But even this power is not invested in the machinery and motorized equipment needed by the grain grower.

I could cite at least one example. This year the Krymskiy Agroindustrial Combine acquired six pea harvesting combines from America's well-known FMS [not further identified]. Our equipment harvested 57 centners of seed peas per hectare from a field of the Put k Kommunizmu Kolkhoz, while the foreign combine was able to harvest 107 centners. As we can see, the difference is significant. If we add to this that the American machine frees 400 persons and harvests 12 hectares in a day in any weather, and if we consider that as the moisture content of the field increases, it works even better, we can see the sort of benefits introducing modern equipment would offer to agriculture.

The figures used by today's statistics to determine horsepower at the disposal of the grain grower are collected by considering random machine units which are not related to each other by the nature of their production processes. And if we also consider their extremely low quality, then this indicator is simply deceiving.

The capital investments that are to be allocated for these purposes in the immediate future are small, just 19 percent more than in the current five-year plan. And of course, they will be directed primarily at bringing up the regions farthest behind, and at reequipping processing industry. Therefore we will have to place our main reliance on making better use of the land, equipment and other production resources.

And the reserves in this area are enormous. For example, even in rayons that were well equipped in the past, such as Novokubanskiy Rayon, fixed capital increased by almost 51 percent in the last decade, while gross production increased by only 33 percent; the corresponding figures are 49 and 27 percent for Bryukhovetskiy Rayon, 46 and 22 percent for Kanevskiy Rayon, and 44 and 18 percent for Timashevskiy Rayon.

It is very important today to realize the obvious fact that the payoff from the available potential may be raised significantly primarily by competently utilizing the new economic mechanism.

Take, for example, Timashevskiy Rayon's Put k Kommunizmu Kolkhoz and Dinskiy Rayon's Zavety Lenina Kolkhoz, which share a common boundary. In 3 years their average yield of sugar beets was respectively 407 and 200 centners per hectare, including 527 and 150 centners last year. The average labor expenditures over 3 years were 0.25 and 1.28 man-hours per centner of sugar beets, production cost was 1.84 and over 4 rubles, and profitability was 131 and 7 percent. The Put k Kommunizmu Kolkhoz fulfilled the plans for the 3 years and for last year, while the Zavety Lenina Kolkhoz has been regularly failing the plans.

Why the difference? Sugar beet production is organized at the Put k Kommunizmu Kolkhoz on the basis of collective contracts. This encourages contracting collectives to constantly improve labor organization, wages and the procedures for cultivating this crop, and to study Soviet and foreign experience. It has introduced row plowing, planting with slit trenchers, multiple harrowing before and after sprouting, adjusting plant density with thinning harrows, and threefold ridging. It has now been already 5 years that the machine operators have been cultivating sugar beets on a total area of 1,400 hectares without manual labor.

The Zavety Lenina Kolkhoz also employs contracts, but only in formal terms. Therefore, much is being done in the old way, owing to which the sugar beets become infested with weeds each year, and their yield decreases sharply.

It is because people are working differently under the same conditions that the results of their business practices are so different. This is yet another argument in the favor of leasing and contracting for all farms and their units.

The kray has drawn up a program for raising fertility. Plans have been made for building standard, very simple manure storehouses in every farm, creating fertility detachments, and organizing production of organic fertilizers on a scientific basis with the goal of introducing not less than 40 million tons of fertilizers into the soil annually. But many rayons are not carrying out the program for building manure storehouses and increasing organic fertilizer production. Moreover introduction of local fertilizers has decreased in recent years.

The fact that cases of rejection of mineral fertilizers have grown more frequent also indicates a decrease in attention to maintaining soil fertility. One of the main reasons for this is failure of the program for construction of storage space, and the preference for receiving organic fertilizer on the day it is to be applied. Thus, rejection of nitrogen fertilizers in the fourth quarter of last year threw early spring top dressing of winter crops off schedule in a number of rayons.

The program for raising land fertility, which foresees that every hectare of farmland must receive not less than 12 tons of organic fertilizer, has to be kept under unweakening attention. We have made it our goal to build standard or very simple manure storehouses at each farm, create fertility shops and detachments outfitted with the needed equipment, and ensure a high technological and organizational level in the production of organic fertilizers under laboratory control. Well trained, highly responsible people are being put to work in this area, and their work is being organized on a cost accounting and leasing basis.

The fact that we have still been unable to put a stop to the squandering of farmland is troubling. The following figures show that such squandering occurs: In the period since 1961, 56,000 hectares have been reserved in the kray just for industrial construction. Almost 20,000 hectares have been converted into hayfields and pastures owing to erosion. And at the same time, in order to maintain the farmland balance, significant amounts of money have been spent to develop poorer land. It is high time for the soviets of people's deputies to raise the responsibility of land users for the decrease in humus content, to resolutely curtail the faulty practice of wasting land, and to assume strict responsibility for increasing the effectiveness of improved land.

There is no one who doesn't clearly see that production of animal products cannot be increased without fundamentally reinforcing the feed base; nonetheless forage quality and making up the protein shortage are still problems at many farms. Last year almost half of the hay and haylage and a third of the silage in the kray was third class or unrated. Peas and soy are being planted in

insufficient quantities in many areas from one year to the next. Alfalfa seed growing is poorly organized, and the value of multi-ingredient mixtures and tritcale is understated. And because of poor feed, even the existing genetic potential of the herd is only 70-80 percent utilized.

Intensive production methods are being introduced too slowly at large livestock complexes, and breeding work requires improvement. The flawed practice of cutting the dairy herd without guaranteed recovery of its size by the addition of highly productive animals is still continuing. And this is in a situation where the effort to qualitatively improve the herd is now one of the main and most promising directions of work.

Science must become a participant of the fundamental economic transformations of the agrarian sector, and of its material, technical and technological reequipment. The kray party committee has begun the work of restructuring agrarian science and strengthening its ties with production. The priority directions of scientific support to the agroindustrial complex have been determined. Scientific-production associations and systems are being organized. More than 200 kolkhozes and sovkhozes and 74 industrial enterprises have already been incorporated into 42 systems. Forty-five base farms and 19 enterprises have been determined. The tie between science and production is being maintained by around 300 science organizers who underwent specialized retraining during the winter.

Continuing the search for ways to raise the effectiveness of scientific support, we are making an effort to see that the scientific-production systems would assume the full responsibility for selection of new varieties of crops and animal breeds and types, for seed production, for development of production procedures, for equipment improvement and for personnel training. Progress is hindered by the fact that priority has not yet been placed on providing material and technical resources and new equipment and instruments to scientific-production associations. Nor has a solution been found for the problem of planning these associations as single wholes.

The main task is to organically unite the new economic mechanism with the scientific-technical revolution, and to establish direct ties between scientific collectives and production. Introduction of scientific recommendations and developments must be organized only on a cost accounting basis, and pay must be based on actual economic impact.

4

The CPSU Central Committee Plenum made ensuring attainment of a qualitatively new technological level in food production one of the objectives of the highest priority. The plan is to significantly correct the state of affairs by the end of the current five-year plan, and to fundamentally complete reequipment of not only large enterprises but also medium and low capacity enterprises on a modern basis in the 13th Five-Year Plan.

There has been much talk about all of this. But no noticeable changes have occurred in the kray. Why? The free-ride mentality, lack of initiative and an indifferent attitude toward processing sectors have not been surmounted. The Tikhoretsk Meat Packing Combine has been under construction since 1976, the Adlerskiy Dairy Combine has been under construction for 10 years, and reconstruction of the Krymsk Canning Combine is dragging on into its 12th year. The standard construction times have been exceeded by a factor of 3-4. Introduction of capacities at the above-mentioned enterprises as well as at the Labinsk Cheesemaking Plant, the Krasnodar Poultry Combine and a number of other enterprises has failed at the fault of builders, and of the clients as well. Reconstruction of dairies in Anapa, Apsheronsk and Goryachiy Klyuch is being postponed from one five-year plan to the next. Despite the acute shortage of children's dairy products, cottage cheese, sour cream and other products, this is the fourth year that the issue of initiating the second generation of the dairy combine's reconstruction in Krasnodar has not been resolved. Half a million rubles were allocated for the current year. But this is only a 16th of the estimated cost.

The kray's industry is providing entirely inadequate assistance to solving the problems of the food sector. Executives of enterprises in Krasnodar, Armavir, Tikhoretsk, Kropotkin and Novorossiysk evade the problem, they fail to display any kind of initiative in this matter, and sometimes they simply even ignore the problem. It is precisely for this reason that market shelves are poorly stocked by goods manufactured from unfunded raw materials. Around half of by-products and a significant fraction of dietary bone and other raw materials are still not being utilized for these purposes. Although consumption of fat-free dairy products did increase in the kray from 4.5 to 14.4 kilograms per capita, it is still 6 kilograms less than for the country as a whole. While such production totals 77 kilograms per each resident in Leningradskiy Rayon, it is only 3.2 kilograms in Krasnodar and around 6 kilograms in Gelendzhik. Collectives of the Krasnodar Compressor Plant, the Machine Tool Building Association imeni Kalinin, the Armavir Vesoizmeritel Association and others could do a great deal to reequip food production, but they have yet to show concern for doing so.

Nor are the kolkhozes and sovkhoses themselves doing very much to develop processing. Each of them could make significantly more both for themselves and for the kray's agroindustrial complex as a whole. But the kray's agroindustrial union is not yet providing adequate organizational support. In the meantime, because of the absence of the necessary daily output capacities in canning enterprises, a significant quantity of fruits and vegetables are lost irretrievably in both good and bad years. It is also time to put an end to seasonality in processing. We recognize that there is a need for working more vigorously to raise the kray's food and processing industry to a level which would ensure deep processing of all agricultural raw material and expansion of the

assortment of high quality products through the construction of kolkhoz and sovkhos shops and subsidiary production operations, and for bringing them as close as possible to the raw materials.

One of the urgent tasks is to build the simplest storehouses, salting and fermenting shops, bakeries, smokehouses and slaughterhouses, and to make wide use of the possibilities of public food service enterprises for baking bread and bakery goods. We need to achieve a fundamental turning point in every rayon, in every population center in supplying people with these products as early as this year. All the more so because we already have such experience in Pavlovskiy and Bryukhovetskiy rayons.

The problem of territorial self-sufficiency is also directly related to issues associated with developing the private farms of citizens and garden and orchard associations. Production is increasing in this sector at an extremely low rate. And a stable tendency for reduction of farm herds and for decline of production has evolved in many rayons. The entire problem is that unless the executive committees of local soviets intervene, farm directors do not allocate pastures to animals privately owned by the public, they do not provide feed for the animals and they do not sell young animals.

The kray kolkhoz council, for example, could have an influence on the state of affairs. But what are the odds of its doing so if its leader—Beysug Kolkhoz chairman G. G. Golovenko—himself pays no attention at all to this. Last year hayfields and pastures were not reserved for private farm animals at the kolkhoz. The owners of these animals had to buy 4.3 tons of grain forage, 8.6 tons of straw, 4 tons of silage, 900 kilograms of hay and the same amount of squash. Now there are only six head of cattle, including two cows, left in the 100 yards of the Brinkovskiy Village Soviet with a population of 5,000, in which this kolkhoz is located.

Little concern is also shown for development of private farms in Krasnoarmeyskiy, Slavyanskiy, Temryukskiy, Uspenskiy, Tikhoretskiy, Novopokrovskiy and a number of other rayons. Providing citizens with young farm animals and pigs remains a problem. We feel that the solution would be to reestablish dairy and pig breeding stock farms in each farm prior to the end of the present year in order to reach this objective. Today, after all, 125 out of 700 agricultural enterprises do not have any cows, and 204 do not have pigs. The kolkhozes and sovkhoses need to expand the practice of providing payment for labor in kind, of paying a larger part of the wages of willing workers in young animals and birds, coarse and succulent feed and grain forage. Creation of special cost accounting units or brigades headed by specialists in servicing the private farms of citizens deserves support.

The kray consumer union and many rayon consumer unions are eliminating shortcomings in this area too slowly. Village consumer unions are being revived in

every farmstead in the kray, and over 400 selkoozpagot-promtorgs [not further identified] have been created. They provide a possibility for improving the organization of procurement of products from the population, their processing, and sale of finished products to rural inhabitants. But not all of the reserves are being utilized completely in this area. Only half of the private farms are working on the basis of contracts. Purchases of surplus products are poorly stimulated by reciprocal sales of scarce goods. The system for providing processing points with simplest equipment is poorly organized.

The subsidiary farms of industrial enterprises and organizations are still in a state of chronic backwardness. Last year they sold only 12 kilograms of meat and 14 kilograms of milk per worker. Executives of enterprises and of labor collective councils exhibit no concern at all for highly productive use of land, farm animals and ponds assigned to them. The productivity of farmland and animals at subsidiary farms of the kray's industrial enterprises is two to three times lower on the average than in neighboring kolkhozes and sovkhozes. And in the meantime the conditions do allow the agricultural production shops to put out a minimum of 30 kilograms of meat and 50 kilograms of milk for each worker employed by the enterprises.

5

One of the most important directions of present agrarian policy is reorientation of the attention of the party and all the people toward fundamental reconstruction of the living and working conditions of the peasants. In our kray, 903 million rubles, or 35 percent of the total volume of capital investments, have been allocated in the current five-year plan to solving the social problems of rural areas. Over a million square meters of housing space, schools with a capacity of 7,934 students, children's preschool institutions with a capacity of 12,135 children, hospitals with a capacity of 1,025 beds, and 1,485 kilometers of paved motor highways have been placed into operation.

Rural population centers in Leningradskiy, Bryukhovetskiy and Kanevskiy rayons, homesteads of Timashevskiy Rayon's Sadovod Sovkhoz, Krasnoarmeyskiy Rayon's Krasnoarmeyskiy Sovkhoz, Yeyskiy Rayon's Oktyabrskiy Sovkhoz, Gulkevichskiy Rayon's Gulkevichskiy Sovkhoz, Kalininskiy Rayon's Oktyabr and Druzhba kolkhozes, Vyselkovskiy Rayon's Kolkhoz imeni Chernyavskiy, Slavyanskiy Rayon's Ordynskoye Experimental Farm, Dinskiy Rayon's village of Krasnoselskoye, and others are being restructured thoughtfully, with good esthetic taste.

At the same time the medical, trade, cultural and personal services to the rural population remain significantly worse than urban services. The sorest point in personal services is the extremely low level of gasification. Less than 20 percent of housing is presently gasified. Even homes belonging to kolkhozes and sovkhozes are provided with only 65 and 50 percent of their water

pipeline and sewer needs respectively. The number of families on the housing waiting list is over 100,000. One-third of the children do not have the possibility for attending children's preschool institutions.

One out of every 10 schools is in a dilapidated state, and there is no central heating in 244 schools. Many population centers are not linked by paved roads. Over a hundred homesteads are not connected to the radio relay network, 146 population centers do not have telephones, 133 have no clubs, and 60 have no libraries.

A rural social improvement section was included in the program drawn up by the kray for increasing the food supply. The main priorities are attached to housing construction and municipal improvement. In order to solve the rural housing problem by 1998—the target determined by a government decree, we will have to place 4.4 million square meters of housing space into operation. We hope to make fuller use of the free assets of the farms by way of the financial and accounting centers of agroindustrial associations, and the savings of private citizens, to build private homes.

Experience in recruiting the population's earned savings already exists, particularly in Kurganinskiy Rayon, where an association of depositors has been created under the agroindustrial bank, a special account has been opened, and it is used to finance various needs of the citizens, including construction of private homes. This experience is also very important to other rayons, since private builders applied for over 30 million rubles of loans in the kray for 1989, and the savings bank can provide only around 4 million.

Capacities for producing construction materials are being created very slowly in the kray. As a result last year the demand of private builders in rural areas for wall materials could be only 60 percent satisfied, the demand for roofing shingles was 87 percent satisfied, and the demand for lumber was 13 percent satisfied. The situation must be rectified immediately.

The kray agroindustrial union foresees a brick plant at every farm. It also plans to build two plants by 1991 with an overall output capacity of 55 million bricks per year, and another two producing gas silicate concrete, and to increase the annual output of the Gulkevichi Agroindustrial Construction Combine to 50,000 square meters of housing space by 1990. In the 13th Five-Year Plan the output of the Verkhne-Kavskiy Cement Plant will be doubled, and that of the Afipskiy Agroindustrial Construction Combine will grow by a factor of 2.5. The agroindustrial union will make a proportionate contribution to erecting a shop in Armavir producing porcelain plumbing fixtures and tile, and a linoleum shop in Krasnodar, with the goal of having them provide 250,000 square meters of tile and 500,000 square meters of linoleum to rural areas each year.

Tens of thousands of persons from the kray's rural areas go to work at plants and factories of Krasnodar, Armavir and other cities every day. At the same time these

enterprises are not doing anything to build children's nurseries, schools, hospitals and other social, cultural and personal service facilities in the population centers from which they derive their manpower. It appears to me that the time has come to put an end to such uncompensated distraction of manpower from the countryside into the city, to exploitation of the already weak social infrastructure of villages and farmsteads. Every enterprise must assume active, proportionate participation in the construction of housing, schools and preschool institutions at the places of residence of the manpower—in a word, in improving the life and personal services of its own people. A broader effort should be made to locate production shops and affiliates in the villages.

In a word, it is time not only to ensure social equality between the city and countryside, but also to create, by joint effort, living conditions for rural inhabitants that are better than those of the urban population.

The decisions of the March Central Committee plenum make more energetic solution of ecological problems one of the priority objectives. There is good reason for attaching such importance to the issue. Increasing intensification of production, and especially its chemicalization, is unfortunately accompanied by aggravation of the ecological situation. This is an objective process, and it should be noted in passing that we are far behind the leaders in the level of use of mineral fertilizers and plant protection resources. It all rests with how well chemicalization resources are used, with use of nature in general, and with the level of responsibility of the people and their civic-mindedness.

This issue was examined, as we know, at a session of the kray Soviet of People's Deputies. A program of nature protection measures was approved at that same session. Its practical implementation has been started. This year the area of rice cultivated without herbicides was expanded significantly. The air basin is improving due to reduction of aircraft chemical spraying. The responsibility of business executives for violating ecological rules was increased.

Rigid rules for storing and using fertilizers and plant protection resources must be introduced into literally every farm, these chemicals must be kept out of rivers and other bodies of water, and the sphere of application of biological plant protection resources and ecologically clean procedures and processes must be expanded more persistently.

6

The March CPSU Plenum demanded that the party committees devote their main attention to augmenting the role of the primary party organizations of the farms, enterprises and organizations of the agroindustrial complex, especially the economically weak ones. They must concentrate the efforts of communists on what is most important. And what is most important today is to move perestroika forward in all collectives. To introduce

leasing, contracting, scientific accomplishments and progressive production procedures, to provide a wide assortment of food to the people, and to improve their living conditions. This is the principal yardstick of the effectiveness of party organizations. The time has come for practical actions, and the work of every organ, of every executive, of every worker must be assessed on the basis of deeds rather than words.

The new agrarian policy requires renewal of more than just the organization and technology of agricultural production. Party committees are doing much to eliminate the old stereotypes from the people's psychology and to confirm, in their consciousness, the need for radical changes in the countryside, and an understanding that this can be done only through hard work. We believe that this should all begin with raising the overall excellence of labor, personal life and human relations in the countryside and introducing a way of life corresponding to a position of the peasant as the proprietor of his land.

Party organizations are striving to make every person aware of the meaning behind the decisions of the March (1989) Central Committee plenum and of its fundamentally important approaches to solving the food problem, to reveal effective economic practice and make it available to all people, and to utilize all resources of ideological work in this effort—party training, on-the-job economic training, lecture propaganda, mass political and cultural educational work and visual agitation; the organization of socialist competition must be improved.

Party committees and soviet and trade union organizations are also concerned with attaining fundamental improvement in the work of cultural institutions. Experience shows that this can be achieved by creating, in all populated places, rural cultural centers providing a common area for culture clubs, libraries, museums, music lounges, video clubs and art galleries. The main thing is for them to really unite the area's intelligentsia and to act as the bearers of high spirituality.

The rural school has an important role to play in renewal of life in the agrarian sector. A good caretaker must be concerned with his succession. No matter what leasing or cooperative relations we might introduce, and no matter how we might stimulate the work of the peasants, if we can't teach the child, young families will leave the farmstead or village.

This year has already entered the account books as a period of implementation of agrarian policy. Party committees are striving to organize their work in such a way as to ensure organic unification of independence with conscious labor and production discipline, and to clearly see the dividing line between democracy and laissez-faire, work with the sleeves rolled down. And unfortunately, such facts are not sporadic. Take for example the first quarter of this year, in which 339 farms decreased the volume of meat sold to the state, while 284 decreased the volume of milk. And one cannot explain this away

with last year's weather, because other farms experiencing the same conditions not only did not reduce but even increased their production. The differences in the progress of farming operations also suggest that this is true.

We cannot and must not condone any longer the cases of mismanagement which are literally compromising perestroika and inflicting enormous economic and moral harm. I would like to lay special emphasis upon the fact that by itself, the transition to new production relations will not automatically improve the attitude toward work, that leasing collectives require daily party attention and support. Only under this condition can we count on fulfilling the quotas of the food program.

The kray party organization is assuming difficult tasks. Persistently fulfilling state orders and solving the problems of providing food to the kray's population are key problems today, and no one has the right to stand on the sidelines. After all, if we are unable to deal with these problems, the trust placed by the people in the party will be significantly undermined. An awareness of this must penetrate into every communist today. Not stopping half-way, stubbornly moving forward, measuring every step against the interests of the people and socialism—these are the primary duties of each of us as individuals and as a body.

POST-PROCUREMENT PROCESSING

Rail Transport Problems Disrupt Produce Deliveries

Grain Delivery Problems at Ports

904B0025A Kiev *SILSKI VISTI* in Ukrainian
19 Sep 89 p 1

[Article by G. Melnychuk: "There is Grain, but No Organization: Ships with grain from the last harvest remain standing in port; railway workers to blame"]

[Text] A bountiful grain harvest was grown this year in the republic. The trick was to get it on the road, to keep it safe, not to waste a single kernel, because we know the price of grain purchased abroad. All services—transport, processing—have to operate precisely and smoothly. There should be a green light all the way: the grain is coming.

Similar tasks confront the riverboatmen in particular. This year their job is to transport 400,000 tons of grain. If one considers the peculiarities of navigation, how important the length of daylight is, then one can understand the value of each second. Unfortunately, instead of quickly unloading and taking on a new load of grain, ships are standing at the docks of the Kiev river port for many days.

Reports like this evoke something akin to anger among some of the workers responsible for transporting the

grain, especially those on the Southwest railroad, because, as they assert, the ships are standing for objective reasons.

But the crews of the steamers that carry grain on the Dnepr are unable to concur. Because [they believe] they are dealing, not with some one-time occurrence, but with the working style of the railroad workers.

Here are the facts. The steamer "Kura" arrived at the capital harbor from Gola Prystan, delivering 600 tons of barley. Three ships stood in line ahead of it for unloading. Now, finally, it is time to process the "Kura." First, two railroad cars arrived, then six, and then they waited for two days... then three cars. The steamer stood at the port of Kiev for eight days.

And this ship does not hold the "record" for standing in the capital harbor. At the end of August and the beginning of September, the steamer "Arkhangelsk," with almost two thousand tons of wheat, took eleven days to unload! And they should have been able to do it in 30 hours. And in this case, the railroad cars were placed under the grain sporadically, a very small number at a time.

It is not hard to calculate how many of the crews from the "Kura," the "Arkhangelsk," and other ships that were and are standing in the harbor with their grain could have brought additional grain given a normal organization of labor. And who has penetrated the ethical tricks of the ships' commands, who are supposed to fulfill the plan, to receive the proper wages?

Similar situations obtained in Dnepropetrovsk, Zaporozhye, and Kherson. There, too, ships with grain are standing for want of railroad cars. Various railways serve these ports, but the weak points are the same, common to the entire railroad industry.

And for years there have been but very few changes for the better, although agreements on labor cooperation among collectives from connecting modes of transportation have been concluded. In fact, nobody is being questioned seriously about the failure to implement them. There are no cars, so, well, there are no cars. They say there are objective reasons. But why should that affect the work of the crews? Why should somebody's lack of organization become a roadblock on the grain route?

It was sad to see mountains of golden grain on the threshing floors of the southern oblasts this summer. The grain farmers wondered, inquired why it was not being lifted up the elevator. And the answer they heard was: they won't accept it there because there are no railroad cars. A closed circle. It was closed in the Dnepr basin, where nobody bears personal responsibility for numerous ships with grain standing at port.

Perhaps it is time to ask?

existing four. These machines break down often; thus some will operate and others will be used for spare parts if necessary. Of course all of this is to the disadvantage of the kolkhoz. If the technology were more dependable half the combines would suffice. But we cannot acquire KSS-2.5 combines, which are simple to operate, anywhere."

In Lipetsk Oblast the kolkhozes and sovkhoses received only 21 KSS-2.6 machines by the start of harvesting, although they had ordered 400. The workers of Lipetsk Oblast and their neighbors in the Chernozem region look with envy upon Voronezh, where industrial enterprises have organized the production of KSS-2.6 combines cooperatively. Since 1985, 1,215 combines have been manufactured. But demand for these machines even in local enterprises is so great that I. A. Vinogradov, chairman of the oblast APK [Agro-industrial complex], characterizes the situation involving harvesting silage crops as most difficult.

Everyone everywhere talked about the shortage of feed-harvesting equipment. I asked N. A. Pugin, minister of automobile and agricultural machine building, to comment on the existing situation:

"Measures to secure the village with new technology are already being taken. Rostselmash [Rostov Agricultural Machinery Association] has manufactured the first group, several hundred new, highly productive Don-680 machines for harvesting and chopping all types of grasses and corn. Gomselmash [Gomel Agricultural Machinery Association] is assimilating the production of the powerful Polesye complex. Using a purchased Austrian license we will begin to manufacture combines of the Champion brand, which have proven themselves well in various regions of the country."

Yes, farmers must know precisely what the new feed-harvesting machines are capable of and how many the Rostov and Gomel plants will be able to produce in the near future as well as how many KSS-2.6 combines Uralmash [Urals Machinery Association] will produce. Already today it is clear that Polesye will not be affordable by everyone, and that it is not suitable for all types of soil.

We must include in our calculations agroprom and inter-departmental cooperative plants, as is done in Voronezh. V. A. Tikhonov, VASKhNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] academician and chairman of the USSR Union of Associated Cooperatives, proposes the creation for this purpose of cooperative enterprises, which in his opinion will successfully compete with government enterprises.

In Lipetsk, Kursk and Tambov people would be pleased to participate in regional unification of efforts for this kind of help for the village.

"We asked the workers of Voronezh to join the efforts of enterprises to produce silage-harvesting combines, but were rejected," says A. I. Seleznev, first secretary of the

Kursk party obkom. "We are trying to manufacture them ourselves and will make about 15. But we do not have the means to process the intake beater. The city does not have such machine tools. The workers of Sverdlovsk are helping out."

The directors of Lipetsk sovkhoses and kolkhozes are also posing the question of local production of a simple and dependable machine. But is it wise to begin from the beginning everywhere? After all, this will result in additional expenditures! Why are Voronezh workers opposed to uniting efforts?

"Because this machine is not advantageous for us, and we have had enough of cooperation just within our own city," says I. G. Lychagin, party committee secretary of the Voronezh Aviation Production Association. "We have done extensive work to assimilate the manufacture of the combine. When we did not have our own machine tool to process the intake beater we went to other enterprises. It was very difficult to acquire this machine tool and to build two special buildings for the final assembly of the combines. We make some of the parts in general plant shops. We have improved the technology of Uralmash and, according to the responses of farmers, we are making a better-quality machine. But about 30 enterprises are involved in the production of outfitting equipment. The impression develops that this combine is not needed for anyone except aviation builders. The city plan is 400 combines. During the third quarter we have so far been able to assemble 15 out of 100. First one plant lets us down, then another."

Under conditions of cost accounting it is naturally not advantageous for anyone to work to his own detriment. But right now the shortage of technology is resulting in great losses of feed.

Inferior Equipment, Official Indifference

904B0007B Moscow SOVETSKAYA ROSSIYA in Russian 15 Jun 89 p 2

[Article by Yu. Belyayev: "Priority...Excuses—Where is the Technology for Meadows and Pastures?"]

[Text] For a long time farmers have dreamed of a sower that would be capable of sowing only 1-2 kilograms of seed. Current technology pours the seed out, as if from a ripped bag; to be precise, at the rate of at least 6 kilograms per hectare. As a result expenditures increase sharply, and there is no advantage to the additional expenditures—plants cannot become properly bushy, and yield decreases sharply.

Unfortunately, dreams remain dreams. No one has ever laid eyes on a sower like this, although it exists not only in the dreams of farmers but also since 1986—as a specific assignment. USSR GKNT [State Committee on Science and Technology of the USSR Council of Ministers] assigned this to USSR Minselkhosmash [Ministry

of Agricultural Machine Building] as part of the fulfillment of the general scientific-technical program on feed production.

There are many such cases.

At the VNII [All-Union Scientific Research Institute] of Feeds, I saw an amazing meadow—created 52 years ago; it has not been subject to any sorts of "makeovers." It is mowed only twice during the mowing season, yielding 65-70 quintals of hay per hectare. It is also fertilized. On this kind of meadow, in the words of Professor A. A. Kutuzova, by applying 1 kilogram of nitrogen, you produce 1 kilogram of sweet butter. But throughout the country, of over 300 million hectares, only about 7 percent of natural feed lands have been improved.

It is clear that this kind of genuinely modern meadow cannot be created without modern equipment. But that is precisely the problem—that even today we have nothing with which to plow and sow the meadow. The situation that has developed in the pasturing enterprise has long been recognized and understood extensively. Next year the resolution of the USSR Council of Ministers on measures to improve the productivity of natural haylands and pastures runs out, as does the national scientific-technical program on feed production that was passed to develop this resolution.

Alas, little has changed since that time. The arsenals of scientists and designers have a solid scientific-technical reserve that would enable us to double and triple the pace of cultivation and the return on natural feed lands. But it is lying there untouched. In the VNII of Feeds, I was given the following figures. The quota on producing machines that is essential for improving natural haylands and pastures has been fulfilled by only 32 percent. The main supplier of the equipment—USSR Minavtoselkhoz mash—has manufactured only 6 of 16 types.

In travelling through departmental labyrinths, I heard on more than one occasion that for the implementation of a national program on feed production more favorable conditions have been created than ever before because scientists, designers, technologists and machine builders have never been so closely allied. Why then does this conceptually vital program have one foot in the grave? The response I received was: The new content has been stifled within the framework of old, departmental approaches. Moreover, the culprit was more precisely identified—USSR Minavtoselkhoz mash, or as it was referred to in conversation, "the ministry of a thousand excuses."

I cannot say that our long discussion with V. V. Khaydukov, director of the Main Production Administration, and with his co-workers was terribly analytical. From the ministry's aggressive monologue, it was clear that their figures were up to date. All orders from Gosagroprom, with the exception of a series of shredding machines, were fulfilled. Yes, the output volume for pasture equipment today is several times smaller than indicated by the resolution's quota, but this speaks only of the "average

randomness" of the assignment. After all, clarified our collocuters, you know how resolutions were created during the period of stagnation. As for the complaints of the VNII of Feeds, VIM [All-Union Order of the Labor Red Banner Scientific Research Institute for the Mechanization of Agriculture] and Gosagroprom—these groups are not familiar with the local situation. Actually, there is enough equipment for improving meadows and pastures.

So it turns out that there is enough equipment and that concludes the matter—they can see better than anyone what the village needs. This is why orders can be considered to be fulfilled, even if not 125,000 grain and grass sowers are produced as originally planned, but a much smaller number.

The ministry's myth about the up-to-date figures is constructed not only on direct trickery, of course. There are also excuses that are even more masterful. That fact is that orders are accepted only for equipment that is already being manufactured, and this is why state agro-industrial association workers simply do not have the opportunity to officially make their needs known within this framework. A large portion of real demand essentially remains unordered and is stored in resolutions and in letters of complaint.

Minavtoselkhoz mash comes to life, acquiring energy and resourcefulness, only if the opportunity arises to manufacture heavier and simpler technology. Enterprises are relentlessly sent brush-marsh plows; machine builders could care less that they are useful only if supplemented by a whole series of other machines, none of which are available in the village. As for multi-operational units, they are either produced poorly or not at all.

Minavtoselkhoz mash has brought its skill in dawdling and excuses to a virtuoso level. A mounted shredder has been awaiting the conveyor for 9 years, but the ministry feels that this is the way things should be—there are substitutes for it, they say. Which ones? One of the machines is over twice as heavy and about three times as slow—using it is a disadvantage. The second is earmarked for a completely different purpose—meeting the first bush threatens breakdown. For the sake of fairness I must mention that Minavtoselkhoz mash has planned the production of a better mounted shredder. However, it has assigned Serdobskselmash, the building of which has been stopped, to take these orders.

O. Marchenko, director of the feed production department of the All-Union Scientific Research Institute for the Mechanization of Agriculture (VIM), honestly says the following about this:

"Utilizing the right of a monopoly, the ministry prefers to manufacture old, primarily single-operation machines, limiting itself only to cosmetic improvements. This is more advantageous for the department."

Not only Minavtoselkhoz mash has failed to carry out the government resolution. By 1990, we were to have almost

half a million electric fences for cultivated pastures. But Minelektrotekhprom [Ministry of the Electrical Equipment Industry] and Minkhimprom [Ministry of the Chemical Industry] were so "busy" that in the course of almost 6 years only 10 electrical fences will have been manufactured, and all of this will be done in the last quarter of this year.

If the technology developed by the VNII of Feeds were actually manufactured, it would be possible to produce 13-14 million tons of feed units from cultivated pastures alone. But try to produce anything if, due to the small nomenclature, there are only fiberglass benches.

The former ministry of tractor and agricultural machine building, having become part of Minavtoselkhoz mash, already last year was to provide pasture farmers with machine units having a low standard pressure on the soil for work on tidal flood meadows. But the ministry was able to push away the machines; it took upon itself only the development of a source of energy, moving back the introduction schedule to 1994. As a result, the absence of meadow-sparing equipment, especially of means of transportation, reduces to nothing the advantages of the use of grass stands for several cuttings.

The representatives of our agro-industrial complex, of course, tried to act upon intractable Minselkhoz mash. Here are the minutes of the workers' meeting in USSR Gosagroprom. Here are the minutes of other meetings. Here is a letter from USSR Gosagroprom and VIM to the party committee of Minselkhoz mash. Here is an open letter by participants in the scientific-technical conference to I. Silayev, deputy chairman of the USSR Council of Ministers. Here is a letter by A. Olyashev, the director of the subdivision of feed production of USSR Gosagroprom, today eliminated, and chairman of the coordination council, to L. Yefremov, former deputy chairman of USSR GKNT. I quote: "USSR Minselkhoz mash, as the head organization for the production of machines to improve natural feed lands, has not fulfilled its quotas in the established volumes. The production of new types of pasture machinery is being organized extremely unsatisfactorily."

I asked Anatoliy Ivanovich what kind of coordination council this was that does not coordinate the interaction of partners, what kind of interdepartmental organization it was that is in no condition to eliminate departmental disagreements? The answer is grievous:

"First of all, both the council and the commission are purely symbolic organs without resources, rights or authority. We felt our helplessness immediately. Secondly, no sooner was the ink dry than the departments began to criticize the resolution that was passed and supposedly forced upon them for interfering with departmental cost accounting. Each began to pull the blanket over himself. The inconsistency of USSR Goskomitet [State Committee] on Science and Technology facilitated this and the resolution turned out to be fairly disempowered. Thirdly, at the same time that this program was in

effect there was a program on the mechanization of agricultural production, and in the shadow of priorities such as the Don-1500 grain harvesting combine and the KSK-100A feed harvester, the need for equipment for intensive technologies and other problems within the pasture food production industry were lost.

Clearly there was no group of executors. Gosagroprom as a purchaser of technology essentially gave in to Minavtoselkhoz mash and it, taking advantage of its position as a monopoly, told the client to take what was offered. In addition USSR Goskomitet on Science and Technology exacerbated the situation by making a decision on eight of the more promising aspects of the program "with the goal of focusing efforts on priority directions in the transition from a state level to branch control." In other words, departments began to control themselves.

Today USSR Gosplan and USSR Goskomitet on Science and Technology are examining "Special-Purpose Programs for Realizing Eight Priority Directions in the Development of New Generations of Technology for Thorough Modernization of the Agro-Industrial Complex in 1989-1995." I saw this small "double volume" in the offices of O. Marchenko, the director of priorities development, and V. Zhukov, deputy director of the USSR Main Scientific-Technical Administration; it requires about 7 billion rubles for the implementation of elaborations and promises to repay each rouble at double the cost. In the opinion of V. Kubyshev, VASKhNIL Vice President, the program of action based on priorities actually answers current peasant needs. It would be unforgivable if it meets the same fate as all the preceding resolutions. This is why it is very important not only to indicate goals but also to create mechanisms to finally force machine builders to get into line in terms of orders for the development and production of new technology for farmers. What would these mechanisms consist of? Regional cost accounting? Direct ties with consumers? Additional incentives?

Probably they will consist of the first, the second and the third. In VIM's opinion, we cannot at all exclude competition. It would be expedient to create an association, possibly a government cooperative association, that would unite agrarian science, a number of design organizations, former repair enterprises of USSR Gosagroprom, and available capacities of USSR Minavtoselkhoz mash and USSR MVD [Ministry of Internal Affairs]. This kind of association could be a direct competitor against today's plants-monopolies. Perhaps this will shake the latter up?

Spare Parts Supply Problems in Kazakhstan

Supply Problems Hamper Harvest

904B0006A Moscow SELSKAYA ZHIZN in Russian
23 Jul 89 p 1

[Article by V. Savelyev, Tselinograd Oblast: "Industry Dictates: No Bearings, No Rollers"]

[Text] The ceaseless telephone calls, dozens of visits from sovkhoses and the bundles of telegrams. The situation in the oblast association Agropromtekhnika [Agricultural industrial equipment association] is urgent. Everyone is concerned about one question: When will spare parts be supplied?

"The situation is desperate," says A. Iokhim, chief specialist in the association. "Supplier plants are not taking into consideration the interests of the village."

How did this happen? As long ago as March of last year a document appeared with the signatures of the chairman of USSR Gosnab [Central Supply Administration] and the USSR Senior Arbitrator, stating that as a result of extensive work by early 1988 contracts between consumers and suppliers would encompass 99.3 percent of the annual volume of supplies of products earmarked for production-technical purposes. This "provides stability of supplies to the consumer." Thus Gosnab and Gosarbitrazh felt it was essential to utilize "positive experience" and proposed, for the development of long-term economic ties, "the extension to 1989-1990 of contracts dealing with product supplies."

The document was sent to ministries and offices and was passed, and with special pleasure in plants. And why not? There would be no need to worry about supplies—there was a 3-year program on a firm contractual foundation and work could be done in peace.

Everything is in confusion and no one wants to listen. After the dissolution of Turgay Oblast five rayons moved into Tselinograd Oblast. The fleet of agricultural equipment increased by one-third. Naturally, Tselinograd informed suppliers about the change in order to receive the funds that had gone to Turgay Oblast. The plants grew stubborn. At the Kurskiy, Kuybyshevskiy, Prokopyevskiy and other bearing plants workers pointed directly to the directives of Gosnab and Gosarbitrazh, which propose deliveries at 1988 levels and no more.

In February the Tselinograd executive committee sent a letter to the USSR Council of Ministers with a request to give an order to the corresponding ministries and departments to consider the expansion of the oblast's boundaries and to increase funds respectively using the Turgay funds. The letter reached V. Murakhovskiy, who sent it to E. Gukasov of Kazakhstan's Gosagroprom [Agroindustrial Committee]. The circle was closed.

Incidentally, let us leave untouched the geographical details that are mysteries to plant workers. Something else is incomprehensible. How was it possible that plans were made for supplies of spare parts by plants on the same level and in the same nomenclature for a period of 3 years? The equipment fleet is constantly changing. Today one thing breaks down. Next year something else breaks down. It so happens that for this year plants do not plan to supply Tselinograd with 88 types of bearings in a quantity of 36,500. What should be done?

The dictates of the plants-suppliers result in chaos during the repair of combines, tractors and trucks and during the constant interruptions of the most important field operations. Here is the situation that developed in the oblast during the spring. It was necessary to sow over 5 million hectares of various crops. For this 20,000 tractors were needed. Of the Kirovets model alone there were over 7,500 units. Before sowing, their repair simply came to a halt, although even during the winter in their shops metal workers did their best. Among others the Saratov GPZ-3 was a disappointment. Last year it revoked its contractual obligations and did not supply half of the fund. Now in the course of the year it has not supplied a single bearing. Essentially, it left the oblast without spare parts, which are in short supply, for 8 months.

When it is advantageous for suppliers they pull out a copy of the original of March 1988. When it is not advantageous they hide it. Tselinograd workers asked that same GPZ-3 for 5,500 bearings for the primary repair of the K-701 motor. The plant agreed to supply 580. However, Volga workers intend to send a bunch of bearings for secondary repairs, which are not needed in Tselinograd. About 200 have already arrived—at 17 rubles apiece. They are lying on our shelves.

The tractor situation is being repeated today, when the time has come to harvest these 5 million hectares of grains. Last year the oblast did not need No. 1580209 bearings for the Niva and did not order any. But this year it ordered 3,000 from the Moscow GPZ-1. Kazakhstan's Gosagroprom established a limit of 1,440, but the Moscow workers refused completely—if you didn't take any last year, you won't get any this year or next.

Once again the oblast needs 13,000 running bearings for the Niva combine. Allocated funds comprise 8,750 and the Kharkov GPZ-3 has accepted an order based on last year's (without the former Turgay rayons) in an amount that is half of the need. On the other hand the GPZ-3 has decided to allocate 5,940 of another type of bearing if there is an oblast need and with a fund of 2,300 and has already delivered most of the shipment. Incidentally, in Vologda the GPZ-23 is not far behind Kharkov workers. Tselinograd requested about 2,000 No. 203 bearings from them. They said they would supply 69,300, four times last year's supply. Look at how wonderful things are—in Alma-Ata, in Kharkov and in Vologda they know better than we in Tselinograd how many and what we need! When will this dictatorship end?

Follow-Up Commentary

904B0006B Moscow SELSKAYA ZHIZN in Russian
3 Sep 89 p 2

[Article: "Industry Dictates: No Bearings, No Rollers"]

[Text] An article entitled "Industry Dictates: No Bearings, No Rollers" was published in SELSKAYA ZHIZN on 23 July. It discussed the fact that in the virgin lands of Kazakhstan an extreme situation had developed regarding the availability of spare parts. As reported by

Yu. G. Matveyev, USSR Senior State Arbitrator, the article correctly posed the problems related to the dictates of suppliers concerning the development of economic ties with consumers. The noted shortcomings in contract work did actually exist in 1989. As for the

recommendations noted in the article regarding lengthening the period of effect of agreements dealing with the delivery of products to 1989-1990, letters from Gossnab and USSR Gosarbitrazh [State Arbitration Committee] have recognized these contracts as expired.

POLICY, ORGANIZATION

Consumer Interests Addressed in Turkmenistan

Food Shortages Tied to 1st Secretary's Absence

904D0016A Moscow SOVETSKAYA KULTURA in Russian 31 Oct 89 p 3

[Article by M. Meleshenko, Turkmen SSR: "Now the Top Man Will Arrive"]

[Text] At the entrance to the food store on Svoboda Prospect a fellow in a white lab coat sped past me like a bullet. "He'll be here in just a minute," he yelled as soon as he got inside the door and disappeared into the building, which looked like an excited beehive.

On that day, alarm gripped almost the entire trade network of the Turkmen capital. Only in contrast to the usual, the unhealthy agitation reigned not among the people standing in the meters-long lines and not for the reason of goods in short supply appearing on the shelves. The salespeople were nervous. Trade workers of all ranks and colors, including the representatives of the republic's trade ministry, were moving along the depressingly bare store windows in an obviously dejected state of mind. With the speed of lightning the news that S. A. Niyazov, first secretary of the republic's CP Central Committee, was visiting local stores spread through Ashkhabad's trade network at a time when stores were totally empty...

Until recently, the residents of Ashkhabad and of a number of other cities in the republic felt it was a sin to complain about poor supplies of meat products—almost without interruptions the trade network received several types of sausages, poultry, sweet butter and sugar; in other words, many of those goods that today in other regions of the country are issued only with coupons. Luckily, the people here know only through hearsay about all of the expenses, inconveniences and simply humiliating circumstances in which the consumer finds himself under the coupon system.

But this summer the local trade network clearly ran into trouble. For several weeks, meat disappeared from stores and the supply of dairy products deteriorated. Ashkhabad, the city boundaries of which literally touch the lands of large vegetable-raising enterprises, began suddenly to experience a serious shortage of "vitaminous" production at the very height of the harvesting season. Prices in the market jumped sharply—2 rubles for a kilogram of potatoes, grapes and carrots; 3 and more for a kilogram of cucumbers, apples and pears... In general, the markets are southern but the prices are out of this world, and this is at the peak of the season when on vegetable plantations and in the republic's orchards and vineyards signs are hung up at the very height of the season saying, "Take them—I do not want them."

The empty counters in food stores, and prices that have never before been seen here for vegetables, potatoes and fruit, have resulted in the justified indignation of people

In the corresponding instances, the corresponding complaints poured in. And evidently in response to them the republic's administration decided to survey trade enterprises. This was done, as is to be expected, with a request for an explanation by the guilty parties—the directors of the state trade network, of consumers cooperatives, of the agricultural sector and of enterprises of the food industry. The discussion was exhaustive and demanding. Many had to blush because of their inefficiency, helplessness, incompetency and simple laziness. Literally, the very next day Ashkhabad residents felt the results of this action. Products appeared in stores. In the most populated areas of the city, fruit and vegetables were sold from kolkhoz and sovkhos cars at purely symbolic prices—10, 20 and 30 kopecks per kilogram...

My friend Grigoriy Kolodin, SELSKAYA ZHIZN correspondent, and I walked through the grocery stores and markets of Ashkhabad and could not stop being surprised—where did all of this come from? After all, just yesterday there was not a trace of it. It turns out that the interference of just one person can so cardinal, so swiftly, change for the better something that just a few hours ago seemed so unshakable, not subject to any changes in connection with "objective" reasons—the meat combine is being repaired, deliveries have decreased, there are problems with transportation, farms are experiencing a fodder shortage, we do not have the manpower to perform harvest operations. Yet here suddenly, "Everything is done!"

We wondered why things were not like this everywhere in the country. Why is it necessary that the top man make a trip here so that a building which has been in need of repair for decades be put into good condition? Why, in order to have public transport function correctly, do we need a special passenger in the guise of the first secretary of the party obkom? Why, in order to have products, the taste of which was forgotten long ago by residents, appear in abundance in some village stores, is the interest of the secretary of the CPSU Central Committee necessary? Why does the secretary of the republic's CP Central Committee, substituting for just a few hours for the trade minister, the director of the city trade administration, and hundreds of trade organization workers, have the ability to untie the knot of supplying the population with food products, even for a short period of time, whereas responsible parties (who are paid wages and accelerated piece rates to do this) cannot?

No, I do not want to say with this that the CC secretary is wonderful—he came, he saw, he supplied everyone! On the contrary, I want to once again focus attention on the vicious circle, on the sad phenomenon of our lives—everything is decided by the "top man."

Why is it that, despite the party's long-ago proclamation of "influencing but not substituting," party committees continue to substitute? Alas, is it because our managers are helpless? Or is it because councils are just barely acquiring power? These are not the only reasons. Another is that right now, judging by everything, it is

easier to substitute than to influence. Because it is much more difficult to operate according to a purely party method and to introduce those other, spiritual forms, those which must be characteristic of the party and spiritual institutions of our society. From time to time we hear the common statement that we must improve socialist competition among beet farmers and sugar refiners and then there will be no sugar shortage.

Some may think that I am criticizing the first secretary for an unsuitable work style. No, I am not criticizing him; if you will, I am protecting him...from an unsuitable work style. Probably it is not his fault, but our common problem—that the republic's party leader is forced by circumstance sometimes to substitute for people's control, the inspector auditor, the city trade director, and so forth. And did it happen in just this case?

I remember one meeting of the members of the bureau of the Turkmen CP Central Committee with the republic's youth. A young Komsomol member was interested in why until now the promise of the CC secretary had not been fulfilled within a certain period of time to renovate the institute she studied in. Immediately, the chairman of the Ashkhabad city executive committee was told to complete the renovation of the institute within one month. No sooner, no later—in one month! Most of all, I was surprised that no one was surprised about this order, which after all was not supported legally in any way. Let us finally decide whether that CC secretary has the right, even if he is the top man, to give such commands to the representative of Soviet power, even if the latter is a rank worker? That is the essence of the question.

Moreover, such commands can be heard everywhere and not only in Turkmenistan; they can be heard in the fifth year of perestroika, which has as one of its mottoes: "Do not dare to command!"

Several weeks after the unexpected abundance that showered Ashkhabad, in its stores once again there were no sausages, no tomatoes and no chickens...Perhaps it is accidental, but this shortage coincided with the departure to Moscow of the republic's administration for a session of the USSR Supreme Soviet. Once again, I and my aforementioned friend surveyed the trade enterprises and markets that we had visited before. A different question struck us now: Where did everything go?

And then we were comforted by the thought—don't worry, don't worry; when the top man comes...

Consumer Monitoring Club

904D0016B Ashkhabad TURKMENSKAYA ISKRA in Russian 10 Oct 89 p 3

[Bylaws for Consumer Club: "Regulations of a Correspondence Club of Consumers Associated with the Editorial Board of TURKMENSKAYA ISKRA and the Turkmen Trade Union Council"]

[Text] Our consumer correspondence club is just beginning its work and is not yet registered. In order to become an officially recognized organization, we must pass our regulations and program. Today we are publishing the draft of our club's regulations, with the hope that you will participate most fervently in its discussion. In the course of two weeks, you can write to the editors with your remarks and proposals, or call telephone number 6-87-72. We await your responses, proposals and desires with impatience!

I. General Conditions.

The correspondence club of consumers is an independent, self-governing, self-contained social organization, unifying its activists on a voluntary basis with the goal of mutual protection of the rights and interests of citizens as consumers of goods and services.

In its activities, the club is guided by the USSR Constitution, the Constitution of the Turkmen SSR, laws that are in effect and the current Regulations. The club bases its activities on a close interaction with local Soviets of People's Deputies, party trade unions and other public organizations, organs of internal affairs, people's control, state inspectorates, educational institutions, organs of mass information and other organizations.

II. Club Goals and Purpose.

The club's goals and purpose include:

1. Support of perestroika in the sphere of consumer goods and services, protection of consumer rights and interests of citizens, of consumer demand for quality consumer goods and services and of a high level of quality in handling customers. The struggle to expand the assortment and high quality of consumer goods, and against careless and shoddy workers.

2. Propaganda of legal information on the rights of consumers and obligations of goods producers, of the trade network, of the administrative organs. Propaganda of economic quality of consumption, efficient means of implementing the family budget and of running the household.

3. Aid in the creation and development of clubs, societies, unions and other formations that protect the rights of consumers; assistance in developing the public activity of the population in defending consumer rights.

4. The achievement of the aforementioned goals by means of dealing with the following tasks:

—To study public opinion about consumer characteristics, assortment and quality of goods and saturation of the consumer market with these goods, about the level of trade, household, municipal and other forms of services to the population, as well as about the level of prices for goods and services and the ecological condition of the environment.

- To participate in consultations and testing of consumer goods carried out by government and other organs, to provide an objective assessment of the quality and assortment of consumer goods and services. To participate in the organization of public control in adhering to the rules of trade and services, in the control of justified wholesale prices and current price lists for the goods and services; of adherence to the principles of social justice within the consumer sphere;
- To provide legal information, information about goods and other consultation to readers of our newspaper;
- To support and propagandize the positive experience of enterprises that produce consumer goods on the level of the international standard, and the experience of organizing trade and providing goods and services to the population in terms of transportation, within the sphere of municipal and communal services, health services and so forth.
- To participate in the preparation of proposals for drafts of ongoing and future plans of economic and social development in the region and in branches of the national economy on the territory of the Turkmen SSR on questions of increasing the output and improving the quality of goods and services.
- To introduce proposals to organs of government, economic and public administration on passing measures to expand production and improve quality of goods and services, to halt the production of poor-quality articles and products and of those that bring harm to the healthy population and also to revoke prices that have been elevated by goods producers and to confiscate profits received by illegal production means; to improve trade, household and other services to citizens;
- To protect the interests of low-income families, invalids, children, retired persons and families with many children;
- To elucidate on the pages of TURKMENSKAYA ISKRA and through other means of mass information the results of club activities, and to make known information about the real consumer characteristics and assortment of goods and services, about cases in which goods and services do not correspond to hygienic and consumer standards, norms or stated claims, about "the flushing out" of the inexpensive assortment, about cases in which the rules of Soviet trade are violated and other cases of mass or ill-intentioned violation of the rights and interests of consumers. To organize consumer conferences with workers of enterprises that produce food products and consumer goods, workers in the sphere of consumer services, representatives of local organs of government administration, departments, and leading specialists on questions of protecting the interests and rights of consumers;

- To exchange information on work experience with other public consumer organizations in the USSR and to publish it on the pages of the newspaper.

III. Club Structure.

The club council includes the representatives of the newspaper editorial board, TSPS [Turkmen Trade Union Council], organs of people's control, internal affairs, office of the prosecutor, ministries, departments, enterprises and organizations and activists from among the newspaper's readership.

The chairman of the club council is selected from among the members of the club council for a 1-year period.

Any resident of our republic who is prepared to participate in the work of our club can become a member.

The more active members can become, upon the decision of the club council, club activists who will participate in surveys, raids and other measures carried out by the club council.

IV. Rights and Obligations of Council Members and Activists of the Consumer Correspondence Club.

Club members and activists of the correspondence club have the right:

- To participate in any measure carried out by the club;
- To elect and be elected to the council of the correspondence club;
- To participate in club administration, in the development of its decisions and in their implementation;
- To bring up for club discussion any proposals and initiatives that do not contradict the club regulations.

Council members and activists of the correspondence club of consumers have the obligation to:

- Adhere to club regulations;
- Participate in the implementation of tasks and measures being put forth by the club council, in the preparation of publications, and in the development of prospective plans for club work;
- To report on all violations of consumer rights known to them;
- To propagandize club activities among the population;
- To coordinate their actions as regards solutions to the problems facing the club with the club council and to inform the latter about the results of this work.

A person may leave the club voluntarily. Activists can be excluded from the ranks of the club only on the basis of a decision by the club council in this regard.

GOODS PRODUCTION, DISTRIBUTION

Output of Soaps, Detergents Increases, Distribution Problems Remain

18200477

[Editorial Report] Kiev PRAVDA UKRAINY in Russian on 4 November 1989 carries on page 3 a 400-word report of a joint meeting of the Ukrainian CP Central Committee Commission on Party Control, the Central Committee Socioeconomic Department, and the Ukrainian Committee on People's Control (place and date of meeting not given). According to reports presented at the meeting, in the third quarter of 1989 the republic's enterprises exceeded the state order for soaps and detergents by the following amounts: 6,300 tons of household soap, 1,300 tons of toilet soap, and 900 tons of laundry powder. Together with imported goods, the republic's total volume of soaps and detergents in the third quarter grew by 37,200 tons, which is 1.5 times greater than preliminary allocations called for. Nevertheless, the commission noted that shortcomings in distribution and in the supply of raw materials still hinder the provision of soaps and detergents to the populace.

Firm Stores, Other Trade, Production Problems Discussed

18270149 Moscow KOMMERCHESKIY VESTNIK in Russian No 15, Aug 89 pp 11-15

[Article prepared by trade and industry departments: "Cultural Wares 90"]

[Text] Alas, at the 31st Interrepublic Wholesale Trade Fair for 1990 Cultural and Service Wares, trade and industry have once again not found a common language. The main battles raged in two areas: production volume and firm trade. At one of the fairs, A. Chepik, USSR deputy minister of trade, expressed definite anxiety about trade: The production of radios and television sets, bicycles and other cultural and service wares is either remaining at last year's level or is declining. This is a consequence of the expanding network of firm stores which in a number of instances are not performing their direct function.

It is planned to produce 880,000 television sets fewer than the USSR Gosplan control figures call for, 1,800,000 fewer radio receivers, 86,000 fewer motorcycles, 220 million fewer galvanized products, and 87.7 million rubles fewer paper products. Trade is opposed to these reductions. What is responsible for the complaints (in our opinion justified) trade is making to industry representatives? Let us listen to them.

E. Etenko, chief, Administration for the Organization of Trade, Market Research and Advertising, Orbit: Everybody noted that at this fair there were many interesting new radios and color television sets. New combination radio and tape recorders produced by the Vega PO

[Production Association] in Berdsk and the Radiotekhnika PO in Riga deserve attention. Consumers would be satisfied if these models were to be produced in large numbers. Unfortunately, due to parts and fittings shortages it is not possible to significantly increase their production. One can understand the Ministry of the Electronics Industry, which should be concerned with these questions. It does not have enough capacity; there are not always sufficient materials.

Now something about firm trade. Undoubtedly, it should be expanded. Complicated products should be sold by those who make them, i.e., firm stores. Complicated household products must not be sold on the shelves of country stores right next to herring. We now have 65 Orbit firm stores, plus Elektron and Radiotekhnika firm stores. I hope that over the long term firm trade will sell all radio and television products in the country.

V. Kevorkov, chief of the Office of Advertising and Market Research, Zvezda PO, Zagorsk: Manufacturing plants have, in addition to firm stores, their so-called owned stores such as Regonda, Temp, Rubin and others. It is undoubtedly advantageous for enterprises to have their own stores, as they eliminate problems with shortages, quality and fines. These stores will not fine their enterprises for low quality products. It seems to me that the idea of enterprise-owned stores is not generally compatible with the idea of firm trade. All stocks are scattered. As a result, stores everywhere are empty. It is also unwise, in that state trade is left with practically nothing.

Compared to last year, we saw practically no fundamentally new products at this fair. Most of the interesting models are still in the future. True, TV sets were better represented than other groups. However, here too, there was no decisive move ahead. The colossal consumer goods famine definitely creates an undesirable situation. Everything is snapped up and producers fall under the illusion that all their products are excellent. Why move ahead, if everything produced is applauded? There are no economic levers to stimulate work. Upon delivering their wares, enterprises receive full payment right away. A more flexible system is needed.

The very idea of a fair presupposes freedom to buy and sell. However, under present conditions, free fairs are impossible: two or three enterprises sell all their products in a few days and the rest of the time they sit and, figuratively speaking, suck their thumbs. Trade can be free only if the market is saturated. This requires sharply increasing production volume. This is just what is impossible in the immediate future. The Ministry of the Electronics Industry has a monopoly in the production of components. The ministry knows well that it can always sell its output; therefore, its strategy is determined only by its own advantage. It is totally unconcerned about producers and customers.

I do not think that the situation will change next year; the same problems remain unsolved year after year. More accurately, they are solved at various levels, but still remain.

E. Khodukin, sector head, TSKTB [Central design and technological office] "Velostroyeniye" [Bicycle manufacturing]: Our firm stores are not working as they should. Service is nonexistent. The goods—we are talking about bicycles—should be ready for the customer to ride. But what happens? Women are sold unassembled bicycles from which even the packing grease has not been removed. This is to say nothing of the fact that such stores are obligated to have mechanics to attach baggage racks, lights, etc.

What about volume? State orders are more than we can handle. I see the solution in restructuring work on the Western model. There, a great many firms participate in the production of a bicycle. Some do one thing, others another. Special attention is given to accessories. What about here? Take, for example, the Kharkov Bicycle Plant. Should it be expanded to increase production? How much bigger can it get? There are already 4,000 people working here. Where can the plant go?

M. Faynshteyn, chief, Supply Department, Radiotekhnika PO, Riga: Today we cannot get along without expanding firm trade. Complicated appliances must be sold in specialized stores. Here the question resounds: What about rural dwellers? I answer that, if necessary, we will go to them. We will deliver to customers within a 200-kilometer radius and will guarantee servicing.

Furthermore, we do not need the wholesale level as such. I am the producer, I produce; that means I should also sell my product. We must allow free trade in the direct sense, so that others will not distribute, but I myself will find the customer. I produce, I look for customers and I set the price.

Moreover, with today's cost accounting we all do what we consider to be profitable for ourselves. We are scolded, but we can stand it. We now have 9 stores of our own; by 1990, there will be 23. We plan to sell 35-40 percent of our products. The tendency to develop firm stores remains and will continue. We will not deviate from this.

At Somebody Else's Expense

They say that experience teaches you not to repeat errors. Is this so? Last year was the first time the wholesale fair for radio and television products was held early in the year—in February. The fair showed that industry is not ready for wholesale trade.

It does not even have to be guessed how this dispute between trade and producers turned out or who was the victor: Perhaps only in a firm store can one purchase simply a television without selecting a brand or even getting a new model.

"However, last year firm trade was delayed somewhat," thinks **A. Musayelyan, director of Azerkulttorg [Azerbaijan Cultural Trade]**. "At this fair, the Orbit firm store in Baku received twice as many television sets. We are not opposed to expanding their network if that does not take away market stocks. The television sets sold by the Orbit were above-plan production."

It is difficult not to agree with the Azerkulttorg director. The concentration of sales at "selected" oblast or kray centers makes it harder for inhabitants of other cities and villages not on the service list to buy such products. Incidentally, where is this secret list of lucky cities in which firm stores are being built?

S. Bzhikhatlov, director of Roskulttorga, the Kabardino-Balkar Wholesale Enterprise, explains: In our republic there is one firm store, in Nalchik. Last year at the fair our base was allocated 7,574 television sets of various brands. For 1990 it only received 1,370. That is wholesale trade shorted us 6,204 sets. Now compare the stocks for Orbit: in 1989 they totaled 11,686, in 1990—13,614 sets. What will I take back to the republic? What can I say to inhabitants of, for example, Ternaui, the miners and other toilers; or those of Prokhladnyy, who grow grain? Go to Nalchik?

This situation is more the rule than the exception. A Radiotekhnika firm store has been working for 2 years now in Petrozavodsk, Karelia. It has no warehouse facilities because they did not build a new store, but used the old one, which had previously belonged to the Promtovary Association. This year some of the television sets intended for firm trade were in the wholesale base warehouse. There were not more than 7,000 TV sets for the rest of the town. What kind of social justice is it when only inhabitants of Petrozavodsk can sign up for television sets?

"Customers are indifferent about where they buy a television set because they are in short supply and you have to stand in the same line, whether you go to a firm store or to an ordinary store," says **A. Martin, director of Estkulttorg**. How are firm stores distinguished from others? A firm store should have standards, such that the customer could see its advantages: longer warranties, lower prices or a bigger selection.

It must be noted that inhabitants of Estonia are more fortunate than the public in other republics. The managers of state trade, Orbit and the consumers' cooperative locally distribute among themselves the television sets intended for the republic. Unfortunately, however, this does not hold for other regions. The selection of radios and similar products in large city department stores is declining. There are none available because most of them are going to firm trade. In practice it turns out that firm trade is developing at the expense of state trade. The latter is forced to give ground. Thus, the Igrushki store on the outskirts of Kishinev disappeared and a new firm store, the Alfa, appeared. It gets almost

60 percent of the stocks. The firm network is supplied at the expense of state trade stocks. In the end the customer is forgotten.

Perhaps, however, we should not complain about this. The firm store has a future and is needed as a testing ground for innovations.

Let us walk through the exposition of sample wares from specialists.

For Decorating Stands

A festive mood reigns in the small Luzhnikov sports arena. The announcer's voice is constantly advertising the models shown; colorful posters and brochures decorate every stand. Let us try to understand what is happening here.

"Many new models are represented here," our guide A. Volodin, chief of the Department for Assortment and Quality at the Moscow Interblast Enterprise for Wholesale Trade in Cultural Wares, began explaining to us. "However, I estimate that around 60 percent of the models sold will not be here before 1992."

"On the stands are fourth generation television sets. However, these are not working models. They will not appear in 1990, even though managers of the Rubin and Temp production associations announced on television that the market is on the point of being overloaded with these units. In specifications now being filled out for next year, the Rubin Production Association writes: color televisions. Well, not at all fancy, nothing is written about the brand. From their perspective they are acting very intelligently: They are playing it safe so they will not have to pay fines for violating delivery contracts. Rubin is now offering an average of 4 to 8 models; previously there were 12. All of them are for the future.

"The Elektron fourth generation television has a pseudostereo and is multi-system; the components are PAL-SEKAM. Almost everything is for the future. They will not be on the market soon. Even then, the production plan, 50,000 units, is simply miserly. Look at the prices, the cheapest is 760 rubles, the price goes up to 790, 890 and higher.

"The famous Shilyalisy: 32 TTs-401 is the most popular and most scarce television set. Its planned production is also 50,000 units. Incidentally, according to my estimates, the plant exports up to 70 percent of its annual output.

"Radiotekhnika is showing the old Riga-310 combine that has been produced for many years. And this is one of the largest producers of consumer radio-electronics.

"The Vega plant is also a leading producer of radio-electronics. The Vega-338 is already sold out. The Vega-339 is an interesting development, but it has no sales plan or price. Again, this item is for the future. It is not known when it will appear on the shelves.

"Laser games have been repeatedly shown at wholesale fairs, but are not being sold due to the lack of laser disks for the game. It is only now that the a solution is being found to the question of Leningrad plants cooperating to produce laser disks. Therefore, this product still has no price and is exhibited only for decorative purposes.

"Minradioprom is showing two-cassette tape recorders. The Amfiton is a radio-tape recorder with a 5-band equalizer and a two-cassette tape mechanism. The only thing for which they should be praised is that they are trying to saturate the market.

"There is no need to point out anything else at this exposition. This year the fair had far fewer models than last year.

"Now something about firm trade. I think that in its present form it is not necessary; there is already a widespread state retail trade network. Why transfer stocks? If a television set is sold in a firm store, it would be good to increase its warranty and improve service. Then firm stores will make sense. Now they feel privileged; they are the first to obtain new wares simply to fulfill the turnover plan. They win at this game. But with regard to the rest we do not operate any worse than them," concluded A. Volodin.

"It should be added, that while the exposition was well decorated, there were not enough radio product catalogs for wholesale workers. There is no comprehensive catalog, something very much needed for work with retailers, at fairs and on the spot. Wholesalers could not even get individual catalogs from Orbit, Radiotekhnika and the TsRKO Rassvet."

Purchase by Protocol

In your opinion, who is most important at a wholesale fair, the seller, the customer? Don't be surprised—the arbitrator was most important at this fair.

Perhaps there was not a single organization or wholesale enterprise which did not stand in line for a lawyer. One can hardly count how many dispute protocols were handled by arbitrators. Sometimes, after getting a refusal from one lawyer, an industrial seller deftly turned to another.

These disputes were also due to poorly organized distribution of wares. Wholesale organizations and industrial enterprises should have been obligated to strictly maintain existing long-term economic ties for deliveries.

The instructions were given, but alas, long term ties were broken. Apparently this is because there is no economic interest in maintaining them. This is not the partners, either industry or trade, but antagonistic forces. Production enterprises are now concerned about obtaining foreign exchange. They want to export a large share of their products (as at the last fair). They are greatly helped in this by the Law on State Enterprises (Associations), to which they refer.

The Leningrad Interblast Enterprise for Wholesale Trade in Cultural Wares has three groups of distributed wares: television sets, radio receivers and galvanized items.

"For the sake of order all other goods were made distributable," says **M. Drobotova, deputy director of the base**. "It turned out that the plant will not sell. We went to an arbitrator and explained that we receive distributed goods. They answered: 'These goods are not distributable. Take the 1989 level.'"

"That is totally absurd," **O. Khankov, chief of the Department for Radio Products and Musical Instruments at the Leningrad Base**, gets into the conversation. "On the one hand, to issue a document means that the enterprise is obligated to supply us, but it is not subordinate to the document. We turn to arbitrators and get the answer: This document is void, bring last year's specifications. Does this mean that in order to prove long term economic ties I should bring all documents to the fair?"

"It is a very difficult fair," says **A. Musayelyan (Azerkultorg [Azerbaijan Cultural Wares Trade Organization])**. "Many republics are not providing wares, in spite of the fair committee's ruling on working with existing economic ties."

The fair is on the skids, due to a shortage of wares. Is it worth having it under such conditions, or would it not be better, as wholesalers think, to simply exchange specifications through the mail than to spend too much money?

A. Martin (Estkultorg) explains: "For 15 years I have been going to the interrepublic fair. It is time to change its organization. Everything, stocks and distribution, is done in the old way. Unfortunately, all commercial life is led by production—trade workers can do nothing. Given such organization, I think that we could do 75 percent of the work at home by exchanging specifications."

"I am not opposed to fairs; they are necessary. However, they should not take place in March, but during the second half of the year, as we are now working on 1990, but still do not know what the market situation will be. Producers are also not ready, as they do not know where they will obtain materials and how much they will obtain. It could turn out that in the second half of the year the necessary materials will not be available."

Competition

Competition has finally appeared. The alternative, however feeble, for industry will be cooperation. This has undoubtedly made wholesalers happy. Cooperatives have been offering a wide variety of wares, for hunting, fishing, music, games, watch bands; one simply cannot name them all.

They must be given their due; they participate in market competition, quickly undertaking the manufacture of

goods in demand. This is something which cannot be said for our industry, which has been rocking to and from for a long time.

Here is another example. At last year's fair, trade workers showed great interest in **Kuznetsov's applicator** [as transliterated—not further identified]. This year several cooperatives in various regions have already mastered it. This year at the fair all sorts of massagers were offered: rugs, a set of massage underwear or simply a collection of miraculous knobbed buttons (if you want, you can stick them on yourself).

Practically all wholesale organizations have started working with cooperatives, thus saving themselves from the scarcity of wares.

Volumes and distribution—the most popular words at the fair—have become the talk of the town. They are behind all the misfortunes not only among purchasers, but also in trade and industry.

Volumes conceal prices, which are increasing too quickly and are not eliminating the shortages. They will not break the shelves with abundant goods, even though the volume plans are being filled by industry and trade.

To no lesser extent, distribution conceals what wares one will be able to purchase in a republic. This is why inhabitants of Moldavia are surprised that VCR's are not sold there, while the population of Tajikistan, completely supplied, goes to other regions for wares not available in their republic.

All the shortcomings in our economy are revealed at a wholesale fair. If they had been immediately analysed, perhaps the fair would not have been similar to last year's, which had the same problem.

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HOUSING, PERSONAL SERVICES

Workers Use Strike Threat To Resolve Poor Housing Complaints

18300839 *Frunze SOVETSKAYA KIRGIZIYA in Russian* 14 Sep 89 p 3

[Article by N. Zenkov, SOVETSKAYA KIRGIZIYA special correspondent: "Alarms of 'Makmalzoloto,' Chronicle of a Conflict Which Should Not Have Been"]

[Text] Summer has turned into autumn and the slopes of the mountains, as in spring, are covered by the velvet of various grasses. **Makmal**. This is where it turns out the poetic name of the gold mining combine comes from. It blended in well with the surrounding blue-green landscape and white city of miners of this precious metal. It stands on the edge of Kazarman, the administrative center of Toguz-Torouuskiy Rayon. Wide streets, well-constructed multi-apartment homes, and a large store—it seems that everything here meets contemporary demands. But the wind will return (and this occurs

several times a day) and the illusion of well-being is dissipated: Acrid smoke from the local boiler covers the whole surrounding area in an instant. It becomes difficult to breathe.

The residents have enough unpleasantness even without the wind. There is not always hot water. During the winter, central heat is frequently out of order and for long periods of time. And the frosts here are no laughing matter: up to 40 degrees. However there is not even enough such housing for almost one fifth of the workers. The new ones are poorly constructed. This year Chuystroy Trust was supposed to commission two 48-apartment buildings but did not commission even one.

There is also no system for allocating housing. Empty apartments are filled according to Deputy Combine Director K. Kerimkulov's instructions without regard for the waiting list. This is done with the tacit approval of the trade union committee.

A school, hospital, kindergarten, and dormitory for miners were commissioned with a lot of unfinished items. We cannot understand just why Makmalzoloto's leaders accepted them from that same Chuystroy. It is difficult to treat people and to teach children in them. One can rarely buy fruits or vegetables in the stores even during the summer.

Gold miners are not reticent people. They complained to the combine director, to the party committee, to the party raykom, to oblast organizations, and they wrote to newspapers about the unsettled state of life. Visiting committees as a rule certified the validity of the complaints and proposed elimination of shortcomings. And they left. The combine's leaders not only did not eliminate anything but, as if wishing to prove their invulnerability to the people, did not even yield on small things.

They only took steps against those who dared to wash their dirty linen in public. They created a situation so intense that they were forced to leave the enterprise or to deviate from their principles. Incidentally, SOVETSKAYA KIRGIZIYA (No.'s 112 and 154) wrote precisely about this twice just this year. While examining the last article, "Thus, Just Who Scored a Victory?", the combine's party committee decided to establish a committee to study and verify cases without personally determining its composition. We are particularly surprised by the paragraph where the party committee receives comrade Aldzhambayev's announcement (without any commentary) that he is presenting materials to the court on Mirzakhodzhayev whom even the newspaper defended from organizational persecution. They say we know our own!

Generally, the obstinate are at the center of attention. And it was as if the director had not noticed the shortcomings discovered by the people's inspectors in the operation of the personnel department. Although many cases were really outrageous.

Thus, salaries were set too high for eleven managers, including the head bookkeeper. At the same time, appropriate documents were not formulated about the nature of the labor of enrichment plant's workers (here it is called the gold recovery plant) and as a result, they are not enjoying the benefits prescribed by law. The requirements of labor safety rules and production hygiene were continuously and grossly violated. The air tightness of a portion of the pipeline was disrupted at this very factory due to miscalculations during design and the subsequent improper operation of technological equipment. Leakage of chemical reagent vapors which are harmful to health occurs as a result of which people in certain sectors have to wear gas masks while working. Makmal workers have repeatedly raised the question about all of these shortcomings at workers meetings but without success.

The party raykom made attempts to look into the state of affairs at the combine. This spring, management actions were conducted at its behest on the open-pit mine. Much of what the miners complained about was substantiated. They also verified that work discipline was slack. There were frequent instances of drunkenness, even at the work place. As a result, the volume of strip mining and also geological survey of reserves dropped sharply during the first quarter. Of course, the miners' salaries also decreased. The shop transitioned to a collective contract and cost accounting. No matter how much they verified, the enterprise's leaders were not chided for these matters.

Protected from criticism, the combine's leaders became increasingly divorced from the collective and its needs. They rarely visited the shops and sections and they did not talk with people. But having heard the statements and demands at workers meetings, they generously promised to look into them and to take steps. And they immediately forgot about them.

Everyone's patience comes to an end. Therefore, it is no surprise that at the beginning of August, the open-pit mine workers presented an ultimatum to the combine's directors: If steps are not taken within an established time period, they will cease working.

The transport shop, enrichment plant, and other subdivision collectives joined with the miners. Demands were jointly developed. Here are the first points: Relieve Combine Director I. Aldzhambayev, his deputy K. Kerimkulov, and A. Yakin from their posts, since they have lost the trust of the collective; re-elect the STK [Technical Supervisory Service] staff who are not carrying out their functions and T. Turdymamatov, party committee secretary. All enterprises will transfer to lease contracts as of January 1990. At the same time, review deduction norms currently in effect as incorrect (the collective is currently collecting 87 percent of profits, and its own assets have ceased to be sufficient even for payment of salaries). Reduce overblown management apparatus and deprive bureaucrats of undeserved bonuses and salaries.

Demands were also set forth to accelerate construction of housing, to put the assignment of housing in order, to improve municipal and domestic services, to improve the ecological situation in the housing area and in the plant, and to normalize businesses. Time periods were established for fulfilling the demands.

A joint committee promoting restructuring of the Makmalzoloto combine which was elected at meetings of the enterprise's subdivisions took responsibility for the movement's leadership and for monitoring fulfillment of the proposed conditions. B. Kadyrshayev, a mining shop geologist, became its chairman, and Geologist R. Belyalov, secretary of the shop party organization, became his assistant.

Ye. Donchenko, secretary of the Oshskiy Party Obkom, E. Begimkulov, first deputy chairman of the Oblispolkom, and responsible officials of the Kirgiziya Communist Party Central Committee, the party obkom, and the Glavalmazoloto Oblast Trade Union immediately arrived in Kazarman. Study of the situation showed: the majority of the demands are just. Some of them were immediately solved. Negotiations began on others. Time periods for fulfillment were established for some points, compromise decisions were made on others, and everything was recorded in the protocol.

Tensions subsided. The committee promoting restructuring decided to delay the planned warning strike and afterward not to conduct it at all.

Nevertheless the days of tension did not pass without a trace. In July and August, the enterprise did not fulfill the production and sales plans.

A workers' collective representatives conference took place on 19 August. It sort of summed up the conflict, although officially the main issue on the agenda was a report on fulfillment of the enterprise's collective agreement during the first half of the year. Eyewitnesses assert that it was more stormily and actively conducted than any previous meeting. And not altogether smoothly.

As a whole, the conference resolved all issues specifically and in a businesslike manner. The delegates approved I. Aldzhambayev's request to be discharged. The committee was manned through selection of a new enterprise leader on a competitive basis. The committee's demand for dismissal of his assistants was approved. A report on measures taken for resolving other issues was approved including a decision of the party raykom buro on conducting a report back-election meeting at the combine in September. At the same time, it was emphasized in many speeches that successfully overcoming deficiencies in production activity and in the social sphere depends to a significant degree on the miners, machine operators, and enrichment plant workers themselves, and on their discipline and conscientiousness.

The workers' collective soviet was elected. Almost all members of the joint committee promoting restructuring became members of it. And the issue on the socioeconomic development plan had to be delayed, since it was not ready. The management and trade union apparatus once again did not regard their assignment with the proper responsibility.

We need to assume that what occurred at the combine will be subjected to objective and comprehensive analysis. However, we can already now say: the conflict would not have occurred if the combine's leaders had shed their ambitions, had constantly associated with the collective, knew their needs and aspirations, and were concerned with establishment of optimal living and working conditions. Alas, there was none of this. Even during the enterprise's alarming days of August, the director and the party organization preferred to sit in their offices, although they knew that people anxiously awaited them in the sections and in the shops.

FROM THE EDITOR: This article had already been prepared for press when an answer to the article, "Thus, Just Who Scored a Victory?" (SOVETSKAYA KIRGIZIYA, 5 July), arrived from the Kirgiziya CP Oshskiy Obkom, which confirmed the correctness of foreman A. Mirzakhodzhayev's complaints. The answer will be published in a future issue of the newspaper.

ORGANIZATION, PLANNING, MANAGEMENT

International Machine Building Concern Created

18230001 Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 21 Nov 89 p 2

[Article by V. Vasilyeva: "Muses and Machines"]

[Excerpts] A presentation by the newly-created concern "InterKONT" took place in the press center of the USSR Ministry of Foreign Affairs. This is an international association for the development and production of equipment complexes for science-intensive technology. The initiator in creating the concern and its chief ideologue is the Cherkassk Scientific-Production Association "Rotor."

More than 40 participants, including 10 from foreign countries, make up "InterKONT." These include scientific institutes, industrial enterprises, transport and construction organizations, kolkhozes and sovkhozes, medical and trade institutions, joint enterprises, and cooperatives. Its geography is varied—in the Soviet Union alone, it ranges from Brest to Kamchatka. Among the foreign partners are firms from West Germany and a Spanish association of machine builders.

"The main goal of the concern," said InterKONT President and Member of the USSR Supreme Soviet A. Chabanov, "is to achieve a breakthrough in Soviet

machine building, and to attain a stable position in the world market. We also want to develop machines which are competitive in scientific ideas, high quality metals and plastics, reliable electronics, and modern designs as well as a social infrastructure. Today it is impossible to increase labor quality without improving the quality of life.

"The antimonopoly stance of the concern should be emphasized. In each of its production units, including agriculture, we intend to become serious, competitive, specialized enterprises and organizations.

"One of the main programs of InterKONT is ecology. We plan to create large-scale production of equipment for purifying industrial wastes. We already have some interesting developments."

[Passage omitted]

The enterprises and firms joining InterKONT independently decide questions on the form of their participation in the concern's activities. Soviet participants have the right, according to the decision of the labor collectives, either to end their ministry or departmental subordination, or to participate in the concern as an associate member.

General Director of the concern Yu. Lavrovskiy emphasized: "InterKONT is not an administrative creation but an economically managed mechanism which will work for maximum profits."

RAIL SYSTEMS

Jan-Sep Rail Performance Reported

904H0022A Moscow GUDOK in Russian
18 Oct 89 pp 1-2

[Unattributed report on rail performance from materials of the statistical administration of the Ministry of Railways: "Our Rhythm: Results of Branch Operation for 9 Months"]

[Text] Many collectives of the branch, working at a tense rate, achieved an increase in the effectiveness and improvement of the quality of their work. This enabled them to cope successfully with the plan for 9 months. The overall plan for shipments was overfulfilled by railroad workers of the October, Belorussian, Moscow, Dnepr, East Siberian, Odessa, Southern, Southeastern, Baykal-Amur, and Baltic railroads.

The harvest is being completed in all regions. This is a busy time for the railroad workers. The assignment for shipping grain products has not only been fulfilled but considerably overfulfilled. More than 9 million tons of grain and milling products have been delivered to the consumers and the elevators. The shipments of fruits and vegetables, sugar beets, and other products of the agroindustrial complex are being provided at a high level.

The results could have been considerably better if the normal operation of the transportation conveyor had not been disrupted by strikes and interethnic conflicts in a number of regions of the country, especially during the third quarter. In practice, the recent losses have led to an underfulfillment of the assignments for the 9 months. On the whole, the arrears in the network amounted to almost 22 million tons. Other indicators were also below those established by the plans.

During 9 months of this year, 3,007,000 tons of cargo have been shipped, which is 0.7 percent less than the plan. As compared to the same period of last year, the overall volume of shipments decreased by 69.6 million tons. The losses were especially large in the third quarter, when the 36 million tons were not shipped.

Of the 14 cargoes on the list for the state order, the plan was underfulfilled for coal, petroleum and petroleum products, iron and manganese ore, chemical and mineral fertilizers, timber cargoes, and flux. At the same time they provided for above-plan shipments of a number of the most important products for local planning which are necessary for solving the food problem and other socioeconomic problems.

In the third quarter, the fulfillment of the plan both as a whole and for the various items on the list deteriorated sharply. Of the overall shortage of shipments of 36 million tons as compared to the plan, 15.3 million tons, or 43 percent, were from the state order. And the plan was fulfilled for only four of them—coke, paper, mixed

feeds, grain, and milling products. For all of these, except the last, there was a reduction of the volumes of shipments as compared to the third quarter of last year.

The branch sustained large losses because of strikes and social disturbances in the Baltic republics, Moldavia, Azerbaijan, and the Transcaucasus. A large number of trains accumulated on the railroads of these regions and the approaches to them, and the working fleet of cars stood idle, being transformed into warehouses on wheels. All this not only brought about interruptions in transportation work but also lowered the level of cargo work of industrial enterprises of a number of branches of the national economy.

During the 9 months, the plan for shipments for cargoes included in the state order (total) was fulfilled by 18 railroads. But the quality of the work with cargo on the list left something to be desired.

The level of dispatch routing amounted to 40.9 percent, as compared to the 42.3 percent achieved during 9 months of last year. It decreased for all freight with the exception of coke, flux, industrial raw material, chemicals and soda; transshipments from water transportation, and the majority of the network roads, above all the Moscow, Gorkiy, Northern, Donetsk, Transcaucasian, Volga, Southern Ural, Western Siberian, Krasnoyarsk, East Siberian, Transbaykal, and Baykal-Amur within a range of 2 percent and more.

The unloading of cars was extremely unsatisfactory this year, with the exception of January and February. The volume of dispatches since the beginning of the year decreased by 6,900 cars, as compared to the plan, and by 4,200 (2.1 percent), as compared to the corresponding period of last year, while the local dispatches increased by 7,400 cars (1.7 percent). One of the reasons for the unsatisfactory loading was the poor organization of cargo work during the first half of the day. Its level was 28.1 percent, which is 2,200 cars less than were unloaded during this same period of last year. The number of cars left unloaded by the recipients is continuing to increase.

During the last period of the year, cargo turnover amounted to 2.89 trillion tariff ton-kilometers, which is 55 billion or 1.9 percent less than the plan. The main cause of this situation lies in the reduction of the volumes of shipments. During January-August, the assignment for cargo turnover was fulfilled by 12 railroads.

The greatest arrears were allowed by the Tselina and Sverdlovsk railroads—6 percent of the assignment; Lvov and Southern Ural—5 percent; and Kemerovo, East Siberian, and Far Eastern—3 percent.

The average daily overall movement of cars during the past 9 months was at the level of 98.6 percent of the norm and 99.7 percent of the corresponding period of last year. As before, a strained situation with respect to the fulfillment of this indicator has developed on the railroads of the eastern part of the USSR. Not a single

one of them fulfilled the norm, and on the Transbaykal and Far Eastern railroads the movement did not even reach 90 percent. Of the railroads of the European part of the country, the ones that are in the worst condition are the Azerbaijan—89.9 percent, and the Transcaucasian—90.5 percent of the norm. While in August on these railroads the movement of cars was fulfilled at the level of 78-80 percent, in September on the Transcaucasian it was 47.5 percent and the Azerbaijan—41.9 percent. All this also had a negative effect on the North Caucasus railroad where the movement of cars as compared to August decreased by more than 1,000 cars and in September amounted to only 82.6 percent of the norm. There was a similar situation in September on the Moldavian Railroad where this indicator was 63.5 percent of the norm. On the whole, just for the four railroads that were mentioned, almost 10,000 cars were not moved during September.

In spite of the surplus of transit cargo, the transfer of freight cars in the network continues to drop by almost 3 percent.

The movement of empty cars is deteriorating. In September, just the railroads that ship coal failed to receive more than 65,000 flat cars, including the Donetsk—25,000, Kemerovo—20,000, and Tselina and Northern—10,000 each. The greatest arrears in the movement of flat cars were found on the following railroads: Moldavian, Lvov, Southwestern, Transcaucasian, Central Asian, Baltic, Belorussian, and Southeastern.

Difficulties in operation work, especially in the third quarter, affected the quality of the utilization of the rolling stock.

The turnover of freight cars has slowed down since the beginning of the year by 6.7 hours, and 4.8 hours (72 percent) of this slowdown was caused by the cargo part, which led to increasing operational expenditures by 100 million rubles. The increase in the turnover time was caused mainly by the increase in the amount of idle time at technical stations by 3.7 hours, while the number of transit cars decreased by 1.2 percent. This can be explained to a certain degree by the increased idle time of cars without processing that is, the large number of abandoned cars.

The amount of idle time during cargo operations and at technical stations increased most significantly (by 7-14 percent) on the Moldavian, Baltic, North Caucasus, and Volga railroads. The situation deteriorated because of interruptions during the third quarter on the Gorkiy, Donetsk, Azerbaijan, Sverdlovsk, and a number of other railroads.

At the same time the turnover of cars was accelerated on the Alma-Ata, Central Asian, Krasnoyarsk, East Siberian, and Kemerovo railroads. But the normative assignment was not fulfilled by the last two. These railroads increased the productivity of the cars, while in the network as a whole its level decreased by 3 percent.

The average weight of a train was 3,114 tons. This is 14 tons less than last year. The weight of a train increased as compared to the same period of last year on the Krasnoyarsk, Volga, and Baykal-Amur railroads, which provided for overfulfillment of the normative assignment, as well as on the Kuybyshev, Dnepr, Central Asian, West Kazakhstan, Transbaykal, and Alma-Ata lines.

The statistical load per car as a result of the better utilization of the space and weight capacities increased by 170 kilograms, as compared to the assignment, and by 150 kilograms, as compared to the corresponding period of last year, with a 0.4 percent reduction of the proportion of heavy cargoes in the overall volume dispatched. All railroads, except for the Moldavian, Azerbaijan, Transbaykal, and Southwestern, fulfilled the plan for statistical loading.

Discipline for fulfillment of the traffic schedule became weaker. The movement of cargo trains according to the schedule and with a reduction of delay amounted to 74.6 percent, which is somewhat higher than last year's level. But the overall delay time grew by 127,000 hours.

The passenger turnover assignment has been underfulfilled since the beginning of the year by 5.1 billion passenger-kilometers, or 1.6 percent. In the third quarter, respectively, by 8.2 billion passenger-kilometers, or by 6.2 percent. During January-August, 14 railroads fulfilled the state order. The greatest arrears were allowed in the Transcaucasus, Northern Caucasus, Moldavian, Baltic, Volga, and Southeastern.

In January-September, rail transportation services were used by 3.350 million passengers, which was 1.4 percent less than the same period of last year. In July-August, the number of passengers decreased by 27 million, as compared to an analogous period of last year. A certain role here was played by the unfavorable ecological and political situation in a number of regions of the country. All this caused many people to refuse to take trips.

In August, there was a considerable reduction of the volume of passenger transportation on railroads serving the health resort zones of the country: Transcaucasus—25 percent, North Caucasus—19 percent, Baltic—13 percent, and Dnepr and Moldavian—12 percent each.

There was an average of 31.2 people in each car, including on the Baykal-Amur—only 21, Transcaucasus—23.8, Moldavian—27.9, and Sverdlovsk—29.1.

The schedule of passenger trains was fulfilled for departures by 96.2 percent, movement—93.2 percent, and arrivals—85.2 percent, which was worse than last year by 1.2 percent, 0.6 percent, and 1.8 percent, respectively. The movement of the trains on schedule became worse on 19 railroads.

Industrial rail transportation enterprises overfulfilled the 2-month plan by 8.4 million tons, or 1.6 percent. The increase, as compared to the corresponding period of last year, was 21.7 million tons, or 4.3 percent. The plan for

shipments was not fulfilled by Novosibirsk, Perm, Volgograd, Vladimir, Groznyy, Turkmen, and Armenian associations.

The assignment for the volume of loading and unloading work was fulfilled by 102.9 percent. They processed 8.8 million tons of cargo in excess of the plan. The last four of the above associations did not fulfill the plan, nor did the Kaliningrad, Kuybyshev, Sverdlovsk, or Kemerovo railroads.

The plan for profit was fulfilled by all associations with the exception of the Belorussian. On the whole, the main administration received 80.5 million rubles in profit, and above-plan profit amounted to 19 million rubles.

The subways fulfilled the 9-month plan for passenger transportation by 100.3 percent. The assignment for transporting passengers was not fulfilled by the Moscow, Kharkov, and Tashkent subways. On the whole, for the main administration the volume of transportation increased by 9.38 million passengers, as compared to the corresponding period of last year. The overfulfillment of the plan, as compared to last year, produced an additional 814,000 rubles in revenue. The savings on operating capital amounted to 5,734,000 rubles. The assignment for labor productivity in operations activity was fulfilled by 109.5 percent.

The operation of industrial enterprises. This year there was a stable tendency toward reduction of industrial production. The volume of output from enterprises of the branch decreased by 0.3 percent, as compared to last year's level, and if products from cooperatives are not included—by almost 1 percent. This is the first time there has been a reduction of production during the current five-year plan. Delivery discipline continues to deteriorate. As compared to the results of 9 months of last year, the number of enterprises not fulfilling the conditions of the agreements increased by a factor of 1.5, and their indebtedness to the consumers increased by a factor of 2.5. According to the agreements that were concluded, they failed to deliver 42 million rubles' worth of products. Every third enterprise of the branch failed to meet its commitments for deliveries.

Practically half of the plants of the main administration for repair of rolling stock and production of spare parts failed to fulfill their commitments. The indebtedness to the customers, as compared to the results of the first half of the year, increased up to 17.8 million rubles, of which 7.2 million were from car repair plants, 5.6 million rubles—from locomotive repair, and 4.9 million rubles—from smelting and machine plants.

Contractual commitments were fulfilled on a level lower than the branch average by plants of the Soyuzzhel-doravtomatizatsiya Scientific Production Association—by 97.4 percent. Every third plant, a total of six plants of the association, are in arrears.

Industrial enterprises of the railroads allowed contractual discipline to deteriorate significantly. During January-September, the only enterprises to meet their delivery commitments were those of the Dnepr, South Urals, Krasnoyarsk, and Far Eastern railroads. One-third of the enterprises of the network failed to deliver 18.3 million rubles' worth of products, 14.6 million rubles of which were accounted for by plants of the route service. The main reason for the arrears was the reduction of production by almost 16 percent, as compared to last year's level, by plants for processing railroad ties with anthracene.

The Remputmash production association improved its work somewhat during the third quarter. But three plants of the association are continuing to lag behind the plan for deliveries by 531,000 rubles (0.8 percent). Plants of the main administrations of the cargo and locomotive enterprises and worker supply provided for 100-percent fulfillment of their delivery commitments.

Plants of the TsTVR [Main Administration for Repair of Rolling Stock and Production of Spare Parts] over 9 months cut the output from capital repair of cargo cars by 4 percent, steam engines—by 8 percent, electric locomotives—by 7 percent, and electric sections—2.5 percent, while the planned assignments were overfulfilled for the last two kinds of rolling stock. The output of passenger cars from capital repair increased by 1.1 percent, but this was not enough to fulfill the plan for 9 months.

The arrears in the repair of cargo cars, as compared to the plan, increased to 3,000 units. Nine of the 15 plants failed to fulfill the assignment that was set.

As of 1 September, rail transportation had failed to receive 92,000 cubic meters of timber for car construction and 8,000 tons of rolled ferrous metals. The deliveries of the basic industrial rubber items for automotive brake and diesel plants and bearings and spare parts for diesels fell below the plan by 20-80 percent.

In January-September, from state centralized capital investments and their own funds the enterprises assimilated 5,155,000,000 rubles (96.8 percent of the 9-month limit). For construction and installation work they assimilated 2,073,000,000 rubles (98.2 percent of the planned amount).

A total of 680 million rubles were used for facilities for nonindustrial purposes (with an increase of 90 million rubles). Still the level of assimilation of capital this year was almost 6 percent lower than last year. Housing construction is lagging behind the plan by more than 6 percent. On the whole, from its own sources of financing, the Ministry of Railways has introduced an overall area of 1,121,000 square meters in residential buildings (an increase of 3.4 percent as compared to last year). Only the Tselina Railroad is close to fulfillment of the annual plan. They have failed to fulfill the assignment for

introducing hospitals and poly clinics, children's pre-school institutions, general educational schools, clubs, and houses of culture.

They have put into operation 261 kilometers of second tracks (94.4 percent of the plan), electrified 230 kilometers (102 percent) of railroad lines, equipped 502 kilometers (91.8 percent) with automatic block systems, and constructed 225 kilometers (79.8 percent) of new lines.

The delivery of locomotives is unsatisfactory. As compared to the plan, they failed to receive 68 mainline electric locomotives and 5 steam engines. Industrial enterprises produced 44,200 freight cars, or 96.5 percent of the number planned. The Dneprodzerzhinsk plants failing to deliver 819 flatcars and 70 bitumen tank cars, the Stakhanov plant—57 ore cars, and the Altay plant—200 covered cars. Of the 1,382 open cars that were not delivered to the railroads by domestic plants, 1,207 were to be from Uralvagonzavod, and the Bryansk plant failed to deliver 13 five-car sections. They received 1,518 passenger cars (96 percent of the plan) and 65,100 container units (101.1 percent of the plan).

As a result of the underfulfillment of the plan for shipment of both general and especially important cargo, shortcomings in providing for safety of movement and maintenance of technical equipment, and large unproductive expenditures and losses caused during July-September by the strikes and interethnic conflicts in various regions of the country, many railroads and the branch as a whole failed to fulfill their assignments for technical and economic indicators and the utilization of rolling stock.

The cost of shipments increased by 2.7 percent. They failed to receive 250 million rubles in above-plan profit. Labor productivity is ahead of last year's level by 0.2 percent and ahead of the planned assignment by 0.8 percent. According to figures for January-August, the assignment for this indicator is being fulfilled by 23 mainlines. It is higher than last year's level on 21 railroads.

The average monthly wages of workers employed in shipments increased by 14 rubles, or 5 percent. Here one should note the increase on all railroads, with the largest being on the Transcaucasus, Baykal-Amur, and October, and the least on the Donetsk and South Urals.

The shortcomings in the organization of operational work contributed to increasing overtime hours and unproductive idle time in a number of enterprises. There was an almost 2.5-fold increase in violations of working conditions by locomotive brigades, and 83 percent of the overall increase in the network came from the Azerbaijan, North Caucasus, Southern, Sverdlovsk, South-eastern, Baltic, and West Kazakhstan railroads.

The interests of the country's economy insistently demand that in the fourth quarter the railroads sharply increase their rates of shipments. They must do everything possible to consign fuel-energy, ore-metallurgical,

timber, and agricultural freight. It is necessary to improve their work, search out internal reserves, and use them for full satisfaction of the needs of the population and the country's national economy for shipments.

Railroad Line Enterprises' Rights Published

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[Article: "The Rights of Line Enterprises"]

[Text] On the pages of GUDOK there is often sharp criticism of the situation of the railroad workers, in which line transport enterprises—roundhouses, stations, track sections, etc.—have practically no economic independence and cannot solve social and other problems without the permission of the road division.

Suggestions on offering line enterprises economic and financial independence have recently been arriving at the Ministry of Railways and the Central Committee of the sector's trade union.

Because of this, the Ministry of Railways considered it necessary, through a directive from the minister, coordinated with the Central Committee of the trade union, to inform all the work collectives that both enterprises and structural units (henceforth called—line enterprises) can be included in the railroad or railroad division. The status of railroad stations, roundhouses, all types of track sections and other enterprises is determined by the Statute on them, approved by the railroad or road division on the basis of their subordination. They are granted the following rights:

1. To draw up plans for economic and social development in accordance with the control figures, state orders, approved indicators, limits and norms brought to them.
2. To use, at their own discretion, the basic production funds assigned to them, including transferring to other enterprises and organizations, selling, exchanging, leasing, offering free for temporary use buildings, structures, equipment, means of transport (except rolling stock), and inventory, as well as to write them off the balance if they are worn out or obsolete.
3. To make independent use of working capital assigned to line enterprises for the purpose of production and social development. Working capital cannot be withdrawn by higher organizations without the consent of the line enterprise.
4. To solve problems of organization and wages, including determining the forms and the systems of wages, offering, in consideration of specific work conditions, additional benefits to workers and employees, introducing additional payment for combining occupations (positions), expanding the zone of service or increasing the amount of work fulfilled without restricting the amounts of these additional wages, through and within the limits of the economic wage fund, determine the total number of workers, their

vocational and qualifical composition, approve staffs and, in accordance with the current legislation, carry out hiring and firing.

5. To have a separate accounting balance.

6. To open current and other accounts at banking institutions to improve and formulate operations in accordance with the instructions and provisions of USSR Gosbank. To have at their disposal, independently, funds kept in accounts in banking institutions.

7. To have an enterprise savings bank. Cash operations, their formulation and accounting should be carried out in full accordance with the Statute on Carrying Out Cash Operations.

8. To conduct independently:

—accounts with suppliers and contractors for commodity-material valuables, work performed and services rendered. The forms of accounts are determined in accordance with the statutes in force;

—accounts with workers and employees with respect to wages and other payments;

—accounts, with a budget for taxes, with workers and employees, according to the sums of credit and deposit liabilities with elapsed periods of limitations, etc.;

—accounts with various debtors and creditors for any type of operations, with a bank for loans issued to workers and employees, with debtors for housing-municipal services, with budgetary institutions of learning and health, scientific-research institutes, etc.

9. To make use of bank loans for production and social purposes:

—for seasonal above-norm stocks of raw material, basic and auxiliary materials, fuel, uncompleted production, finished products and other types of material valuables;

—for non-seasonal stocks of commodity-material valuables;

—to make up temporarily for a lack of internal working capital;

—for wage payment;

—for other purposes in cases specified by the appropriate instructions of USSR Gosbank.

Line enterprises should solve all problems related to loans at the credit institution where the current account was opened.

10. Line enterprises form funds for material incentive and social development independently, in accordance with the economic norms approved for them, on the basis of the financial results of their activity.

The resources for these funds are expended according to an estimate. The plan of the estimate is taken for discussion by the work collective of the line enterprise, and after its approval, is affirmed by the joint decision of the administration, council of the work collective and trade union committee.

With the consent of the work collective, line enterprises have the right to direct some of the resources of the material incentive fund (wage fund) to the fund for social development.

The resources for the economic incentive fund may not be withdrawn by the road division without the consent of the work collectives, their wage earners.

The specific nature of the work of railroad transport, namely, the common technology of the transport process, maintenance of available housing of civil structures on the track sections for all line enterprises, the financing of all-division institutions, namely: pioneer camps, a recreation base, and sports and cultural-educational organizations by a road division, make it necessary to concentrate the fund for the development of production, science and equipment and the fund for social development on the level of the road division.

For the purpose of further expanding economic independence for the work collectives of line enterprises, the Ministry of Railways considers it expedient for the road and division chiefs to carry out the following additional measures in this direction:

1. Grant line enterprises the right to conclude economic agreements with other enterprises and organizations;

2. Statutes on line enterprises and the Statutes on organizing cost accounting are to be worked out and approved with obligatory consideration of the opinion of the work collectives;

3. Leave at the disposal of the line enterprises, to direct to the fund for the development of production, science and equipment, part of the above-plan profit (according to the all-division norm) and also above-plan lease payments and proceeds from the sale of abandoned property;

4. The fund for social development in the road division to finance housing and social construction, subsidize operation of the housing fund, maintain pioneer camps, rest homes, boarding houses, sports structures and other cultural-everyday facilities of line and road significance, and other social needs can be centralized only with the consent of the work collective, in accordance with the principle of a partial share in the expenditures. At the same time, the work collective giving consent to centralize part of this fund should be granted the appropriate amount of housing in newly built houses, places in child care centers newly put into operation, travel authorization for pioneer camps, boarding houses, rest bases, etc.

The Ministry of Railways recommends, in consideration of what has been set forth, that the norms of line enterprises for 1990 be more precisely defined. The use of funds for the development of production, science and equipment and social development for measures of an all-division nature should be discussed at a joint meeting of councils of work collectives, the appropriate trade union committees and directors of line enterprise included in the road division. In this case, the proportion of the fund for the development of production, science and equipment, transferred by the road division for the disposal of the line enterprises, should be determined. Each worker of the line enterprise should be notified of the decisions made.

It should be borne in mind that a "locomotive round-house," a "car depot," a "station," "track section," etc., are called line enterprises, just as before.

Chief Interviewed on BAM's Future

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[Interview with Valeriy Aleksandrovich Gorbunov, chief of the Baykal-Amur Mainline, by T. Andreyev, GUDOK correspondent: "BAM: Its Launching Will Save Millions"; Tynda, date not given]

[Text] The Baykal-Amur Railroad imeni Lenin Komsomol has retained the Challenge Red Banner of the Ministry of Railways and the Central Committee of the sectorial trade union for the second quarter. It is not about labor victories and not about holidays, however, but about the workdays that I spoke with Valeriy Aleksandrovich Gorbunov, chief of the country's youngest mainline, about the most critical period—preparing to turn the road over for continuous operation.

[Andreyev] Valeriy Aleksandrovich, many of our readers wonder: why does BAM have to be put into continuous operation ahead of schedule? I think that they fear that this might be the usual show, after which the defects will have to be put right, the workmanship faults eliminated....

[Gorbunov] No, we wish to do this, not for the sake of the report, and not to show off an ahead-of-schedule launching somewhere; experience has made us revise the periods. The practical work in construction in preceding years showed that introducing objects at the end of the year is usually accompanied by great expense: the quality is not right, and it is very difficult in winter, in intensely cold weather, to launch any system, be it heat supply or water supply. It is quite different when objects are turned over at a warmer time of year, and there is a possibility of bringing them up to standard. It was therefore decided to launch the road for continuous operation not in December, but in October of this year, so that there would be time to make the final adjustments in transport technology and to check the reliability of all the devices and systems. In addition, you must remember that the earlier we open up continuous train traffic along BAM,

the faster the road will begin to pay back the millions that have been causing so much talk in the country.

I will bring in a few figures. If we turn over BAM on 31 December, the loss from maintaining it will be 250-260 million rubles, but if we launch it on the first of October, which we are striving for, despite all the difficulties, it will be much less—215-220 million. In my opinion, the difference is appreciable.

Finally, we are approaching that happy day for which the BAM workers have been waiting for 15 years: through passenger train traffic will be opened. Through its release to the west of the country, the inhabitants of the BAM zone can travel not along the Transsiberian, but along the shorter route through Tayshet, along their own mainline.

[Andreyev] Did you not make a slip when you said "we will turn over"? This sounds unusual from the lips of the chief of the road. The construction workers have always done the turning over, while the railroad workers put the objects into operation. Is the customary system on BAM turning out to be violated?

[Gorbunov] When the Baykal-Amur road was just being developed, the words "we are turning over" was not in the vocabulary of the railroad workers. As applied to construction, we usually used the verbs "we will accept" or "we will not accept." Every year the fixed capital was accepted, evaluated as sums of 800 million to a billion rubles. They were "frozen," because there was no through train traffic. The desire to introduce them into the work more quickly made us change our attitude toward the construction process. The operators began to take an active part in it. We became partners with equal rights with the construction workers. Many years of businesslike friendship—I am not afraid of this word, I mean precisely, friendship—helped us to overfulfill the plans for utilizing the capital investments allotted by the state every year.

[Andreyev] Right now several thousand railroad workers are working on the BAM complexes being launched. They are track workers, transport workers, signal men, power engineers.... People who, on the one hand, supervise the construction, and on the other—install the equipment with their own hands. They work with the construction workers from dawn to dusk. Is it not likely to be advantageous for both of them?

[Gorbunov] Our participation is valuable for the construction workers particularly because they do not have to alter anything afterwards. After all, the boss is alongside, and if something is not just so—he makes a suggestion. If he lets something slip, there is no one to blame but himself. He himself will make the alteration. True, we have people who are afraid to get their hands dirty, and want everything handed to them on a platter. We say this, however: either change your attitude or your work place. The time has passed when it is possible to stand aside and wait until everything is done for you.

Moreover, we are well aware that if someone has come to a project for the first time and wishes to start to operate it immediately, nothing will come of it. But if he takes part in the construction process, understands the blueprints, becomes familiar with the technological chart or system, then the transition from turning over the project to operating it is made without any particular difficulties. A great deal here, of course, depends on the person, his personal qualities and attitudes toward work. Fortunately, we have a majority of highly skilled specialists working for us.

[Andreyev] Just what contribution are they making to launching BAM?

[Gorbunov] Their main purpose was to finalize, start up and adjust the equipment for very complex projects for water supply, purification structures and boiler houses. The work is not simple. There are purification structures on the road with equipment the like of which, perhaps, you can find nowhere else—even at specialized enterprises. Take our boiler houses: each one is a small plant. For example, at the Tynda KVTk-100—this is a boiler house at the level of the Ministry of Power and Electrification, and the latter, it is true, does not want to take on its servicing, even though it is obliged to, according to the regulations. Everyone who has been at this boiler house marvels, they say, how can the railroad workers cope with this big clumsy thing? And there is nowhere for us to put it.

The difficulties with equipment, however, are not completely settled. Quite often there is not enough of it, and our specialists have to seek new solutions instead of the planned ones. Power engineers have recently had this situation arise. At a number of substations, special panels were needed for the protection system, but the plant did not supply them. There was no time to wait and, just imagine, our engineers solved this complex problem: they worked out their own system, found the parts....

There are many such examples. The equipment situation is very difficult this year. We have received many refusals from suppliers. We even had to create from workers in various services a so-called "fast reaction group." If the suppliers fail—our specialist goes to the plant. His task is to solve the problem. Perhaps to find a different, more reliable supplier, perhaps to come to an agreement with the designers on substituting some equipment for other equipment. In contrast to the usual "fixer" he seeks an engineering solution.

We have learned how to monitor the delivery of freight as well. How did it go before? We got a telegram from a plant: the order was filled, everything had been shipped. We waited a month, another..., then we began to investigate—where was the car held up? We wasted our time and our nerves. Now the tracking system has been put in order. It is even a pity that BAM is completed and all this accumulated experience will be wasted, forgotten....

[Andreyev] You spoke of a purposeful friendship with the construction workers. Some people are inclined to see in it, however, mutual connivance: the railroad workers, they say, simply close their eyes to construction rejects and imperfections. How do you feel about this?

[Gorbunov] There can be no question of any connivance. Is any one of us, really, an enemy to himself? After all, we are accepting a road on which we have to operate. How can we close our eyes to any defects? It is a different matter that problems can be solved in a different way. You can go on the principle: it is written in the documentation and in actions, your difficulties have nothing to do with me. Or you can sit down and think out together how best to act, where additional resources can be found, and ultimately postpone the deadline for doing it. There were never any idylls in our relations with the contractor, but experience helped us to work out interrelations which, as it turned out, were convenient for everyone. Of course, if it happens that we cannot find a common language, we look for an arbitrator, to settle our dispute. It was that way with the Mogot station, when deformations of a number of its objects began. We took a long time to clear up who was to blame for that. We appealed to USSR Gosstroy. They created a special commission, entrusted it with investigating and then gave it to us equally: the construction workers—for the defects, to us—for poor operation, and left us to get out of the mess ourselves. It was then that we realized that to tear at each other's forelocks and break our lances—made little sense. It was better to sit down at the negotiation table. We asked the Ministry of Railways to allot resources. The Ministry of Transport Construction took on the performance of the work and Mogot is now practically restored.

Here is another example. Last year, at the launching of the Khani-Chara section, a serious situation formed. It turned out not to be ready by the deadline. It was not Bamtransstroy that was to blame for this, although it was the general contractor, but rather, the adoptive organizations, which could not concentrate enough forces at the objects being introduced. All the deadlines passed, the workers grew apathetic and work on the launching was beginning to come to a standstill. Then we went, together with the management of the association and the state commission, to the site, gathered the people and explained the problem to them, and encouraged them. On the first of November, even though at first it seemed unrealizable, the launching was turned over, and moreover, with a "good" rating.

[Andreyev] Launching all of BAM is a great and joyous event, but we will probably not beat any drums? After all, a great deal of work still remains to be done to finish building the road. Approximately how much time will this take?

[Gorbunov] On the first of January of next year we will have a billion rubles for construction and installation left unutilized, according to the technical plan. Judging by this year's rates, it would take a maximum of four years

to finish building BAM. According to unofficial data, however, the planning organs will take half of the capital investments for part "A" next year, and consequently, we will not introduce a number of very important objects and will operate an unfinished road. What does this mean? For example, there will be no traction substations—there will not be enough electric power—the train weight will have to be reduced, and a large number of locomotives and brigades will be needed. In the end, every ton of freight transported will cost more. So, which is better: to complete BAM and operate under the optimum economic conditions, gradually increasing the potential and making transport less expensive, or drag out a pitiful existence under the burden of tremendous operating expenditures? Indeed, we know: the country has no resources. It is precisely for that reason that the business begun must be completed properly, or else finishing the construction will drag out for 10 years and much more will be spent on it.

[Andreyev] BAM will be turned over as a volume of launched complexes, but not as a technical project. Will normal conditions of work and everyday life be provided for the railroad workers after its launching?

[Gorbunov] There is a whole group of problems here. On the whole, the conditions of life and everyday life at BAM are better than on other roads. According to statistics, we will have more square meters of housing, spaces at hospitals and polyclinics, kindergartens and schools per worker. All the same, though, these indicators do not correspond to the norms. We will not be able to provide all the workers with well-appointed housing. This problem is practically solved at line stations, but at the major ones—Tynda, Severobaykalsk, the Urals, Berkakit—things remain quite serious. This is because of miscalculation on the part of the planners. The families of the railroad workers and the high birth rate were not taken into account. We are now attempting to solve this problem, not only through BAM estimates—we are also constructing housing by our own efforts, and are creating an internal building industry base. There are already three construction-installation trains on the road, and in a year a road trust will appear. True, construction rates are still low, but after all, the funds are low. Therefore, we are explaining to the people: we will do good work—we will begin to build more and live better.

As for work conditions, we should not complain about that. The passenger and track facilities are an exception. The former were not specified in the plan, and for the second—there proved to be no base for track maintenance. Through the BAM estimates, we managed to find some reserves, but we simply cannot manage to create powerful modern bases by the time the railroad is launched.

[Andreyev] The opening of continuous train traffic along a new mainline is awaited, I think, by more than just the BAM workers. Everyone would like to know: how will this event take place?

[Gorbunov] I think it will be an everyday event. BAM, after all, is not unknown. Trains have been running along it for a long time. We have already put freight trains through from Komsomolsk to Ust-Kuta and back. But while before there were two consists a day running, now there will be twenty. We already have a traffic schedule. As soon as we accept the road for operation, part of the freight flow will be diverted to BAM from the Transsiberian. We will give a respite to our neighbors—the Transbaykal road, which is at this point beginning to gasp for breath.

Finally, our problem will not diminish with the launching of BAM. First of all, we are already planning a sharp curtailment next year in the subsidy received from the state. We must make the road profitable as soon as possible. This is a very complex problem. A great deal will depend on the Ministry of Railways: will it provide us work, will the wheels turn—will the revenues be good, will the collective stand on its own feet quickly, and will it acquire independence. We want to exceed the neighboring mainlines, two years after the launching, in qualitative indicators—the use of cars and locomotives, the section speed and other things, although it is difficult to vie with them—they have double-track, we have single-track. We have modern equipment, however, and we have excellent specialists, so that the task is fully within our power. If we look even farther into the future, in 1995 we are planning to go to Yakutsk along the Amur-Yakutsk mainline. It will provide a solid increase in our freight and will increase the income of the collective. BAM will not always be catching up with the Transsiberian. I believe that this road has a great future, in that it will provide an impetus for the development of the entire Far East.

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